

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday December 9, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Representative Loraine Pace, Senator Ron Allen, Ted Boyer, Ramona Rudert, Tanya Henrie, Douglas Richins

Excused:

Doug Durbano, Senator Dan Eastman, Norm Tarbox, Scott Carver, Liz Hawkins

Approval of Minutes:

With a few changes the minutes for October and November were unanimously approved.

Discussion on Dissolution of the Board

Mr. Barton feels that the main reason to keep the board together is because of unfair government competition. It was suggested that the Governor and the legislators were the only other sounding boards for private vendors. Ms. Henrie stated that when she had a concern with unfair government competition her only recourse was to hire a lobbyist. Senator Allen stated that the legislature needs to know that there is a board. It was suggested that the Chambers of Commerce put information about the privatization board in their newsletters. Ramona Rudert was going to prepare a list of the Chambers and business groups that the board could notify of the board's existence and mission. Senator Allen and Representative Pace will inform their respective houses of the legislature about the board.

UTOPIA

Mr. Barton handed out information on "UTOPIA" which is a fiber optic network that will include "last mile" connections to businesses and residences. He suggested that this might be a topic that the board could consider. It was decided that if the board received a request to examine this issue, the March meeting would be a good time to have an overview of the issue. Bill Barton indicated that he anticipated a request coming from a city council member for the board to consider. It was suggested that Paul Morris from West Valley City, who is also the executive director of UTOPIA and John Christensen from Murray City Council could address this issue. It was also suggested that Comcast and Qwest be invited for their input. Mr. Richins said that he would try and find UTOPIA's web site and then email the members of the Board with a link to information on "UTOPIA"

Other Issues

Senator Allen was curious on who pays for security at Governor's Gala and other social events. Senator Allen was going to find out who pays the bill for these events. Mr. Barton made a motion that we invite Commissioner Flowers to address this issue pending Senator Allen's information. Senator Allen told the board of contacts that he and legislative leadership has received from Stephen Jury at U'n Utah which is a start-up company that is proposing to privatize certain economic development marketing functions currently being provided by DCED, on a performance based contract based upon bringing new jobs to Utah. It was decided to invite Mr. Jury to the January 2004 meeting for a 20 minute presentation on his firm's proposal.

January 2004 Meeting

The next meeting will be held at 10:00 on Tuesday, January 13, 2004.
There will be no meeting in February due to the Legislative session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday November 20, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Liz Hawkins, Senator Ron Allen, Ted Boyer, Representative Loraine Pace, Representative Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Dan Eastman, Norm Tarbox, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie,

Visitors:

David Miles and Linda Hull from UDOT

Approval of Minutes:

Because a quorum was not present, minutes for October will be approved in December's meeting.

Past Issues

Mr. Richins distributed a copy of a report from the Legislative Fiscal Analyst given to the Legislative Executive Appropriations Committee on Nov. 18, 2003 regarding the potential privatization of the Utah Department of Corrections Bureau of Clinical Services. The report from the independent consultant hired by the legislature concluded "In answering the primary question of the study – if privatizing the BCS provide the state with additional savings and/or better services, Dr. Moore finds that the staff within the BCS is already providing services at an appropriate level for a cost similar to that offered by private providers. While privatization is a viable alternative for other states – and may be for Utah in the future – it is not likely that any significant savings can be found at this time through outsourcing medical care for inmates." (A copy of the report with the slides from the consultant is included with the minutes.)

Presentation: David Miles from UDOT

David Miles, the operations engineer for UDOT met with the board at the request of John Njord, UDOT's executive director.

He responded to the information given to the board in the October meeting by Shawn Heaton from Bonneville Asphalt. Mr. Miles indicated that UDOT had met with Mr. Heaton several times on this issue and that Mr. Heaton had also met with the Transportation Commission as well. As a background, Mr. Miles said that crack sealing seems to work when the cracks are wide enough to get the material into the cracks. It does not work very well on the 1/16 inch cracks. There was much more crack sealing done by UDOT in the 70's and 80's. The reason there is less crack sealing now is because of a change in UDOT's strategy. UDOT now strives to preserve the road via overlays, improving the entire road, rather than sealing cracks. He said that strategy preserves what we have because the cost is a lot less to take care of a pavement before it starts to fail. The cost is 10 times as much to repair cracks later. On low volume roads a chip seal is used. On high volume roads they use plant mix seals.

When crack sealing was reduced, that which was done by contract was eliminated first. Mr. Miles believes in the 70's 3 to 4 million dollars of crack sealing was done per year. 60% was done on contract and 40% by UDOT. The cost of crack sealing has now been reduced to 1 million dollars per year and will soon be down to a ½ million per year. Having UDOT do the crack sealing makes it so employees have something to do when they are not plowing snow. Due to budget cuts UDOT had to cut 45 employees from their forces, and were given less money to work with. Mr. Miles said that in the future there may be times that a certain station will need some high priority crack sealing done. In that case UDOT may need a service contract for crack sealing. He said that it may be less expensive to contract with the private sector for large projects. Mr. Miles distributed a documents (included with the minutes) titled "In House Crack Sealing Costs – Statewide FY 1999 through FY2003. Based on the information provided by Mr. Miles about UDOT past crack sealing expenditures, Mr. Richins figured that UDOT cost was approximately \$1, 858.00 per ton for the crack sealing. The board recalled that Mr. Heaton stated that crack sealing should cost between \$1,500.00 to \$1,800.00 per ton. The board appeared satisfied that UDOT had adequately evaluated the issue and would pursue potential contracting out for large crack sealing projects, without the board's involvement. The board then asked Mr. Miles about other areas in UDOT where privatization would be useful. Among areas he mentioned were laying of traffic paint.

Mr. Kesler thanked Mr. Miles for his presentation and for the beneficial information.

Other Issues

The amendment to the board statute that the legislature passed in the 2003 general session provided for the appointment of two additional board members: one to represent the League of Cities and Towns and, and one to represent the Association of Counties. Representative Pace volunteered to contact Ken Bullock and Brent Gardner of those respective organizations regarding their representation to the Board.

Representative Pace indicated that the Legislative Government Operations committee would be sending a letter to all boards and commissions requesting a justification for the existence of the board or commission. She said that perhaps in our next board meeting we could draft the board's response to that forthcoming request.

Following a discussion regarding the best day and time for the board meetings, it was decided to hold the meetings on the second Tuesday at 10:00 am.

Mr. Kesler adjourned the meeting.

Topics for December's Meeting

Review of the Privatization Policy Board Workbook

Response to Forthcoming Letter from Legislative Government Operations Committee

The next meeting will be held at 10:00 on Tuesday, December 9, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board
Thursday, October 16, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Loraine Pace, Scott Carver, Tanya Henrie, Liz Hawkins, Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Ron Allen, Dan Eastman, Norm Tarbox

Visitors:

Shaun Heaton – Bonneville Asphalt

Approval of Minutes:

Minutes for June 17, 2003 were unanimously approved.

Presentation: Shaun Heaton from Bonneville Asphalt

Shawn Heaton from Bonneville Asphalt addressed the board. Mr. Heaton indicated that his goal is to get UDOT and UCI out of the crack sealing business, and to have it privatized. The competition from UDOT and UCI has hurt the private crack sealing industry. They have to go to other states to get work. Heaton said that UDOT used to bid crack sealing out in the 70's and 80's. He said that crack sealing is generally bid by the ton. It is \$1,500 to \$1,800 dollars per ton, including labor. Because of competition, in the 80's crack sealing went down to \$900 to \$1,100 dollars per ton. Ms. Hawkins stated that allowing the private industry do the crack sealing would put Government employees out of their jobs. Mr. Heaton believes that his company can save the taxpayers money by allowing private industry do the work. Mr. Heaton cited that at one time UDOT wanted to do all of their chip sealing. However, the chip sealing industry negotiated this issue with UDOT because they spent millions of dollars in equipment and so UDOT did 50% and the private industry did 50%. Mr. Heaton would like to see this happen in the crack sealing industry. He also stated that he can do the job for half the price and do it much better. Mr. Heaton was asked to get facts figures of costs for crack sealing. He agreed to this request if he could first get figures of costs from UDOT since 1999.

Discussion on Possible Dissolution of the Board

Representative Pace indicated that she is serving on a legislative committee to evaluate if there are current boards that could be discontinued. There was a healthy discussion between Board members on whether to keep or abolish the Privatization Policy Board.

Representative Pace indicated that she has seen nothing happen since she has been on the Board. She also stated that the Board can listen to Mr. Heaton's issue but he will have to go before other people who can make a difference.

Mr. Carver also stated that he has seen no progress since he has been on the Board. He suggested that the Board be a legislative committee because they have what it takes to make changes.

Mr. Kesler stated that all the Board can do is listen to the problems of different vendors and write a recommendation to the legislature and the Governor. He also feels if we had a little teeth in the Board it could do a lot of good.

Mr. Richins feels that the different departments, on their own consider privatization on a day to day basis. Mr. Richins asked, "Is what we are doing duplicative?" He also feels that what the Board is doing can be done within other structures.

Ms. Hawkins indicated that the Highway Patrol has a Safety Inspection Advisory Council, which is much like the Board. This council comes from all walks of life and they review all the changes that need to be made and then make decisions from there.

Representative Goodfellow feels like the Board provides a sounding board for vendors. Then we can invite an agency to come in and they rethink their process and make the necessary changes.

Mr. Barton agreed with Representative Goodfellow. He cannot think of anything that has been done except create an awareness.

Representative Pace indicated that there is more impact in a vendor going before an agency than a written report.

Mr. Kesler feels that documentation really helps the legislature make a decision.

Representative Pace stated that the legislature would require documentation from the vendor and the agency.

Ms. Henrie being in private industry herself feels that going before the legislature would be intimidating for her. She feels having a board to present her case to and asking the tough questions would be helpful to her to prepare for the legislature.

Mr. Richins stated that the advantage of having an issue go before the legislative committee is that they have both sides of the equation. They are not just looking at the privatization aspect but they are looking at the budget implications aspect as well and balancing those issues. Another thing that they have that we don't is staff. They can have their Fiscal Analyst pull those numbers and bring them to the committee so they have some valid information to make a decision.

Mr. Kesler stated that we will never be given the power by the legislature to do the job the way we think it should be done.

Ms. Rudert thinks that the Boards and Committee's serve a very important political function. She feels the perception is that the Boards and Committee's have power and that is an important venue for open discussion. A lot of these issues are administrative issues that don't require changes in legislation they simply require changes in how things are administered sometimes would be things that we might look at. Ms. Rudert also feels a little disappointed and thinks it is not worth spending the money if it is not going to make a difference. She does not feel that the Executive Branch is using these Boards and Commissions the way that they were intended for. Maybe we should just be used as a task force and just meet when it is necessary.

Mr. Barton suggested that we send out news releases so the public knows that there is a committee out there that will listen to a case of unfair government competition. Maybe if we gave the legislature a report after every meeting it would make these reports more meaningful.

Mr. Kesler suggested that we call Lane Beattie have a representative sit in on every other meeting. Ms. Rudert said that she would be happy to call Mr. Beattie.

Mr. Boyer stated that we are an advisory to the Executive Branch so the big questions that Loraine might have are, Should we be giving advise? What kind of advise should we be giving? How should we get that advise over? Is it worth the effort to give that advise?

Representative Pace thanked the board for their candid input.

Mr. Kesler adjourned the meeting.

Topics for November's Meeting

Our next meeting will be held at 10:00 on Thursday, November 20, 2003. A representative from UDOT will be asked to respond to Mr. Heaton's crack sealing issue.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, June 17, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver, Tanya Henrie, Liz Hawkins, Douglas Richins

Excused:

Brent Goodfellow, Doug Durbano, Ron Allen, Dan Eastman, Lorraine Pace

Visitors:

Kevin Walthers – Office of the Legislative Fiscal Analyst

Approval of Minutes:

There was one correction in the May 20th minutes. Both April 15th and May 20th minutes were approved.

Presentation: Kevin Walthers from the Fiscal Analyst's Office

Dr. Garden's job is to administer and provide medical care for all inmates. Our constitutional responsibility is to provide basic medical care. The prison has a doctor and a nurse on contract that travel to the different county jails to provide medical services to inmates. In county jails the state only provides medical services to the state adult felons. The county provides its own inmate care.

The Bureau of Clinical Services provides:

- Medical Services
- Dental Services
- Mental Health Services

The Fiscal Analyst's Office is in the process of hiring a consultant to evaluate quality of care and medical procedures in our prisons. Mr. Walthers went over the Report that was handed out from the Fiscal Analyst's Office on Prison Finances. (See Attached Report)

Grants are used for start up costs for different treatment programs. Mainly drug treatment programs.

There are three ways to cut back on costs in our prisons:

Medical Costs

The medical contract is with the University of Utah. The prison gets an extremely favorable rate with them. The rate is 68.6% of the customary rate. If you compare the prison rates to Medicare rates we would be paying just slightly more.

Pharmaceutical Costs

Drugs are purchased through a Partnership Cooperative and are bought in bulk so that is a considerable savings for the prison.

Personnel Costs

Another way to save money is to cut personnel costs. The prison personnel work at a lower pay scale so they can receive the benefits package.

One of the problems with privatization in the prison is private companies come in with a lowball figure and after time raise their costs. Then we are stuck in the contract until it has expired.

Privatization works best in the prison system if we just privatize certain services. The prison has 6 million dollars in contracts that are currently being used. Program treatment is an excellent area to privatize because we can use different company's to come in and provide services for drug treatment and sex offender programs.

Privatization of halfway houses probably would not work because of volume. We don't have enough people in our halfway houses to generate a profit.

Topics for Future Review

It was decided to review the Privatization Workbook at the next meeting.

Mr. Kesler adjourned the meeting.

Our next meeting will be held at 10:00 on Thursday, July 17, 2003.

Response to Intent Language
Feasibility of Privatizing the Bureau of Clinical Services
Within the Utah Department of Corrections

May 20, 2003

**Report to the Executive Appropriations Committee
Of the Utah State Legislature**

**Prepared by
The Office of the Legislative Fiscal Analyst**

**Kevin Walthers, Lead Analyst
Gary Ricks
Jonathan Ball
Tyson Vandenakker**

Introduction

As part of the 2003 Appropriations Act, the Legislature directed the Office of the Legislative Fiscal Analyst to examine costs within the Bureau of Clinical Services program within the Utah Department of Corrections:

It is the intent of the Legislature that the Office of the Legislative Fiscal Analyst supervise a study of the Medical Services Department within the Utah Department of Corrections. The study shall provide an analysis of costs (short and long term), liability issues, quality of service, and accreditation standards compared to industry standards for private providers. The Office of the Legislative Fiscal Analyst will present its findings to the Executive Appropriations Committee on or before July 1, 2003, with copies distributed to the members of the Executive Offices and Criminal Justice Appropriations Subcommittee.¹

The language continued with direction for the Department of Corrections in regard to use of any cost containment recommended by the study:

It is the intent of the Legislature that any savings identified in the study of the Medical Services Department within the Utah Department of Corrections be used for institutional operations beginning in FY 2004...²

The language also provided latitude for the Legislative Fiscal Analyst to request funds for costs incurred through outside consulting, travel or research services, albeit such funding would have to be balanced against future budget conditions.

...The Legislative Fiscal Analyst may request reimbursement in the 2004 General Session for any cost incurred in relation to this study.³

Before incurring additional expenses, the Analyst presents this preliminary report to offer information on the cost of providing medical services within the Utah Department of Corrections. The goal of this document is to provide the Executive Appropriations Subcommittee with information that may guide the Committee to a decision regarding the nature of any future reporting. The report asks questions in three areas:

1. What are the costs of providing inmate care?
2. Does the BCS program create increased liability issues?
3. How does state accreditation compare with private sector standards?

¹ Item 24, House Bill 1, 2003 General Session

² Ibid.

³ Ibid.

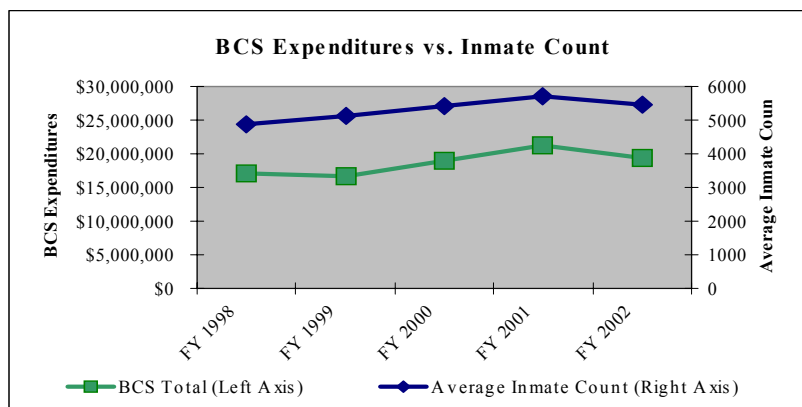
What are the costs of providing inmate care?

How does spending within BCS compare to inmate counts and overall Department expenditures?

The Bureau of Clinical Services provides programming in addition to direct inmate care. Inmate programming functions such as substance abuse treatment and sex offender counseling are housed within the BCS. The two cost centers for inmate care include the Bureau of Clinical Services at the Draper Prison and the Medical Services Program within the Central Utah Correctional Facility (CUCF). Over the past five years the program grew by an average of 2.7 percent

Total expenditures for inmate health services are driven primarily by the number of inmates in the system. From 1998 to 2002 expenditures within the Bureau of Clinical Services (including CUCF) mirrored that of overall expenditures for incarceration.

Figure 1



Program Categories: How is spending spread across programs, functions and types of care?

One of the difficulties in determining a per diem cost comparable to other states involves comparing similar levels of care. To calculate true per diem rates for medical services requires adjustments for non-medical programs that are funded through the Bureau of Clinical Services. Table 1 shows expenditures by type that go into the per diem calculation.

Table 1

	<i>Expenditures by Type</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Administration	\$950,732	\$613,410	\$565,469	\$293,940	\$575,403
Direct Medical Care	7,222,220	7,942,176	9,082,034	10,137,641	9,499,972
Mental Health (Includes Inpatient)	4,764,665	3,348,116	3,618,511	4,560,136	3,562,255
Dental	863,080	815,257	852,341	891,836	990,909
IPP (Contracting)	367,190	389,792	549,190	538,091	644,087
Transportation	140,120	153,317	160,932	146,061	0
Grants	735,717	733,681	798,420	1,338,889	1,383,874
Sex Offenders	549,753	521,918	595,699	695,215	743,560
Subsidiary Operations	0	86,646	335,094	533,467	104,861
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
	\$17,086,677	\$16,607,751	\$18,927,999	\$21,351,009	\$19,394,217

Source: Utah Division of Finance Data Warehouse

Expenditures per inmate for medical/dental are up by approximately twenty percent since 1998 but are down from FY 2001 levels.

Table 2

	<i>Medical/Dental Expenditures</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Direct Medical Care	\$7,222,220	\$7,942,176	\$9,082,034	\$10,137,641	\$9,499,972
Dental	863,080	815,257	852,341	891,836	990,909
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
Total Medical/Dental	\$9,578,500	\$10,760,871	\$12,304,684	\$13,245,211	\$12,380,178
<i>Medical/Dental Per Diem</i>	<i>\$5.40</i>	<i>\$5.76</i>	<i>\$6.23</i>	<i>\$6.37</i>	<i>\$6.23</i>

Source: Utah Division of Finance Data Warehouse

Costs driven by medical, pharmaceutical and personnel costs

Any attempt to achieve substantial savings in Clinical Services must focus on medical contracts, personal services and prescription management. Over the course of five years, personal services costs averaged fifty-eight percent of total expenditures, medical contracts took up another seventeen percent, pharmaceuticals comprised another nine percent – meaning that the three largest single items (overhead is an aggregated category) account for eighty-four percent of the BCS budget. Table 3 shows that FY 2002 mirrored the five year average.⁴

Table 3

<i>BCS: FY 2002 Expenditures Less Grants</i>		
Program	FY 2002	% of Total
Personal Services (Medical)	\$9,625,300	55%
Medical Contracts	\$3,133,600	18%
Overhead/Other Expenses	\$2,202,317	13%
Drugs	\$1,863,500	11%
Labs	\$328,000	2%
Med. / Surg. & Lab Supplies	\$391,300	2%
Total	\$17,544,017	

Source: Utah Division of Finance Data Warehouse

Are medical contract costs appropriate?

The Department contracts with the University of Utah Hospitals and the University of Utah Doctors and Clinics for services that can not be provided within the prison. UDC pays the University of Utah \$1,920,800 per year for medical services that normally would be billed at a rate of \$2.8 million (a negotiated rate of 68.6 percent of customary charges). If the Department does not use the full amount of services, a refund is provided at the 68.6 percent rate – full cost recovery for the Department of Corrections. If additional services beyond the \$2.8 million amount are needed, the University Hospital applies a fee equal to 68.6 percent of the customary rate.⁵

⁴ Figures compiled by combining Data Warehouse statistics and UDC internal management documents. Data reaches only to 1999 due to system upgrades completed for UDC that make comparison to 1998 difficult.

⁵ Utah Department of Corrections. UDC File #90A-621-IO

Staff salaries include added cost of twenty year retirement

The BCS program carries more professional staff than other parts of the Department of Corrections. Professional providers include nurses, doctors, social workers and mental health experts. Salaries are normally distributed and average \$44,262. Retirement benefits average \$8,163 - an amount higher than would be found in a standard state agency due to the disproportionate number of POST-certified (law enforcement) employees eligible for twenty year retirement.⁶

Prescription Management

Pharmaceutical costs averaged nine percent of the BCS budget over the five year study period. Total expenditures for drugs dropped in 2002 but are still up significantly over 1999 levels.

Table 4

<i>BCS: Pharmaceutical Expenditures</i>					
	FY 1999	FY 2000	FY 2001	FY 2002	5 Year Increase
Drugs	\$1,292,566	\$2,035,296	\$2,006,000	\$1,863,500	44%
Inmate Count	5,116	5,410	5,694	5,448	6%
Cost per inmate	\$252.65	\$376.21	\$352.30	\$342.05	35%

Source: OLFA and Utah Division of Finance Data Warehouse

Does the BCS program create increased liability issues?

The affirmative responsibility of correctional facilities to provide health care dates to the 1976 Supreme Court decision in *Estelle v. Gamble*. The case focused on “acts or omissions sufficiently harmful to evidence deliberate indifference to serious medical needs.”⁷ Since the *Estelle* decision, the Courts have not ruled on quality of care, choosing instead to focus on denial of care as being constitutionally impermissible.⁸

According to the Department claims are down seventy percent since 1997 and are now averaging 3.2 claims per year. Over the last three years all expenditures went to costs associated with defense, no money was spent on settlements arising from claims.

As a source of exposure, the BCS is only a small part of total UDC liability insurance. Over the past five years the Department of Corrections liability premiums remained flat. For management purposes UDC assigns a portion of the premium to the clinical operation, but that is an internal matter not driven by actual claim history.

How does state accreditation compare with private sector standards?

Many organizations provide corrections facilities health care accreditation, and do so as part of a larger mission to grant professional accreditation to a wide variety of activities apart from corrections health care. The National Commission on Correctional Health Care (NCCHC) focuses entirely on correctional facilities health care accreditation and was the first organization created with this unique mission.

⁶ The move to POST Certification came at the behest of the Auditor General. See: Utah Legislative Auditor General (1998). *A Digest of A Performance Audit of the Utah Department of Corrections*. http://www.le.state.ut.us/audit/98_08rpt.pdf

⁷ *Estelle v. Gamble* (1976). 1976.SCT.3988, at 30.

⁸ United States Department of Justice (2001). *Correctional Health Care: Guidelines for the Management of an Adequate Delivery System*. Quoted in *State of New Hampshire Department of Corrections Inmate Health Care Performance Audit Report*, Office of the New Hampshire Legislative Budget Assistant (January 2003).

NCCHC accredits more than 500 correctional facilities nationwide, including the Utah Department of Corrections (DOC) Medical Services Program. UDC first received accreditation from NCCHC in 1996⁹ and earned renewal in 2002 at both the Draper Facility and the Central Utah Corrections Facility (CUCF) in Gunnison.

Summary

This brief review by the Office of the Legislative Fiscal Analyst focused on the areas within the BCS that have potential for generating cost savings. It appears that current operations have maintained a level of efficiency and effectiveness over the course of the last five years. If this proves to be the case when compared to other states or private operations, the Analyst does not believe the savings may be as significant as originally thought. However, in order to make a more detailed comparison, the Analyst recommends that an independent consultant be selected through an RFP process with costs to be reimbursed to the LFA during the next General Session of the Legislature. Such an analysis may lead to specific recommendations for the Department to incorporate in its daily operations or to the development of an RFP to allow private vendors to offer services to the state.

⁹ Given the costs associated with receiving accreditation from multiple organizations the Department of Corrections Medical Services Program has not sought for nor received a certification or accreditation beyond the NCCHC certification.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, May 20, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Loraine Pace, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver

Excused:

Brent Goodfellow, Tanya Henrie, Bill Barton, Doug Durbano, Ron Allen, Liz Hawkins, Dan Eastman

Visitors:

Lynn Baker (PEHP)

Nate Roman (UPEA)

Approval of Minutes:

Because there was not a Quorum, it was decided to approve the minutes at the next meeting.

Presentation: Lynn Baker from PEHP

PEHP pays all insurance claims for the State of Utah. HMO's used to pay claims but at a higher risk. The average carrier has a 12% overhead. PEHP has a 4% overhead. Exclusive care has better benefits and has a 2% overhead.

Legislation approved other public employee's to join PEHP. Some of these are:

- Cities and Counties, which are self-funded.
- Jordan School District, which has no premium.
- Colleges, which have no premium.
- CHIP is administered by PEHP

Each entity uses funds differently.

Health care is out of control. Health care pays a broker to find services so an override of \$506 million per year is paid out by the State. If healthcare services would just come through one pipeline. The bill would go to one place and each entity would be charged for their portion of the bill. There are other options of buying healthcare and having it cost less.

There is also the option of pooling together and working with the drug manufactures so our drug costs would go down.

Privatization Assessment Workbook

It was decided that we would postpone going over the workbook until there was a full quorum.

Topics for Future Review

- Privatization of clinical services in the prison.

It was decided to invite Kevin Walthers from the Office of the Legislative Fiscal Analyst to address the board on a study recently done for the Legislature's Executive Appropriations Committee on the feasibility of privatizing the Bureau of Clinical Services within the Department of Corrections for our next meeting. Then if the board wanted to investigate this issue further in a subsequent meeting the director of the clinical services bureau and potential contractors could be invited.

Our next meeting will be held at 10:00 on June 17, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, April 15, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Senator Ron Allen, Representative Brent Goodfellow, Representative Loraine Pace, Jay Dansie, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie, Douglas Richins, Secretary

Excused: Liz Hawkins, Norm Tarbox, Ted Boyer, Senator Dan Eastman

Absent: Douglas Durbano

Visitors:

Ron Stromberg, Margy Campbell, Tony Nelson, Craig Peterson, Tyler Dallas, Ed Dieringer, Ron Kusina

Approval of Minutes:

Ramona Rudert motioned for approval of the March 18, 2003 Minutes. Jay Dansie seconded the motion. The minutes were unanimously approved.

Board Composition Changes:

Mr. Kesler announced that membership changes to the board had been made by the Governor. He thanked the members who were concluding their service on the board for their service to the citizens of this state. Those leaving the board are Jay Dansie, Merwin Stewart and Senator Bill Hickman. Newly appointed members are Senator Dan Eastman, Senator Ron Allen, Ted Boyer and Tanya Henrie. Mr. Kesler welcomed Senator Allen and Ms. Henrie who were attending their first meeting. A question was raised regarding the expiration date of Bill Barton's term. Mr. Richins promised to check into the issue. *(Richins has confirmed that Mr. Barton's term ends July 2004.)*

Privatization of Services for Senior Citizens:

The board heard information about the provision of services to senior citizens. First, Ron Stromberg representing the Utah Division of Aging Services talked about demographic changes and the increasing number of senior citizens. Using newspaper articles, he demonstrated the trends affecting senior citizens and underscored what an emerging, important and under recognized market services to seniors represent. He identified specifically a number of new and emerging industries and services needed to respond to this group. Among the needs are: elder care and independent living, anti-aging spas, clinics; new medicines, new foods, body fabrication clinics (replacing worn-out parts); technology areas, hearing aides, pacemakers, smart acoustic systems, high tech exercise equipment, smart clothes that know when to warm, or cool the body; financial service, pension planning, long-term care insurance; employment re-training programs, life long learning programs, dating services, travel services; housing needs, designing homes for seniors, security systems, roommate finders; death and dying services, hospice care. Mr. Stromberg indicated that in Utah the average age expectancy for women is 86 years and for men 80 years.

Representative Pace reminded the board that the reason that the board wanted to have this discussion is a recognition that government will not be able, or should not attempt to fulfill these areas for seniors. She emphasized that we need the business community to recognize and fill this area of need. Senator Allen suggested that younger people need to be engaged in developing business. It is important for them to recognize this important potential opportunity for both business and service.

Margy Campbell spoke to the board. Fifteen years ago she started her company, Age Connections, the first geriatric care business in Utah. She recognized that this was an important niche that she could provide elder care service as a small business. Since then she has expanded and also provides guardian and conservatorship services, assisting people without children, or those whose children are not capable of doing this service themselves. She opined that privatization is so important in assisting in this critical area. She described the type of services that her firm provides and how clients contact them. She said that there currently are three legitimate companies doing these services along the Wasatch Front. She suggested that somehow it is important to change the elderly mindset away from entitlement and position it toward thinking of private pay. She lamented that she sees a lot of transfer of wealth going on for families to avoid paying for the senior's elder care. She also suggested that a minimal license should be required for those engaged in elder managed care.

Tony Nelson from Spectrum Home Services told the board about the services that his company provides to seniors. His company which now has 30 employees specializes in providing seniors in home management issues, home maintenance and repair, lawn care, snow removal, and homemaking. He started his company three years ago and sees potential for expansion. He cited the cost of liability insurance and workers compensation insurance as roadblocks to expansion.

Ed Dieringer spoke representing the Health and Homecare committee of the Salt Lake Area Chamber of Commerce. He described the types of services of his companies – Golden Years Consultants and Caregiver Support Network. Most of his services are private pay. His firms assist the caregiver. He also works with employers to include this type of service to caregivers in the employer's benefit packages. The majority of his clients are women between the ages of 45-55 who are caregivers for their parents. He indicated that the Salt Lake Chamber recently established the Health and Homecare committee to assist individuals and businesses understand this important business area.

Ron Kucina from the Ogden Area Chamber of Commerce suggested that most business people are lacking information about this emerging market. He suggested that the Department of Human Services, Division of Aging Services could facilitate helping businesses understand this market. He suggested that this emerging market could also be viewed from an economic development perspective.

Next Meeting

The next meeting will be held on May 20th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a discussion of the state of Privatization of health insurance and health services for state and local government employees, and a review of the Privatization Assessment Workbook. Douglas Richins will invite Linn Baker from PEHP to participate in the discussion on health insurance and health services for employees.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, March 18, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Jay Dansie, Bill Barton, Ramona Rudert, Douglas Durbano, Norm Tarbox, Representative Brent Goodfellow, Representative Loraine Pace, Commissioner Merwin Stewart, Douglas Richins, Secretary

Excused: Scott Carver

Absent: Senator Bill Hickman, Liz Hawkins

Visitors:

David Harmer, Jeffrey Gochnour

Approval of Minutes:

Ramona Rudert motioned for approval of the January 2003 Minutes, with one typographical correction. Merwin Stewart seconded the motion. The minutes were unanimously approved.

Factors That Attract or Repel Businesses

The board heard an excellent presentation from David Harmer, Executive Director, Utah Department of Community and Economic Development; Jeffrey Gochnour, Director, Utah Division of Business Development. They talked about the importance of a friendly business climate, and the factors that attract or repel businesses to the state. They said that overall some negative cultural perceptions people living outside the state have had are breaking down. A challenge that they face is that the state doesn't have many monetary incentives to offer as we compete with other states to attract businesses. Mr. Harmer cited an advantage the state has is a favorable cost of doing business here. He said that Utah does a good job of developing ideas and innovations, but need to improve at taking those ideas and then developing those ideas into viable businesses. Utah has historically had difficulty in attracting venture capital. Mr. Harmer reported on legislation that passed during the last legislative session: HB240 Venture Capital Enhancement Act, which may help the state's ability to attract venture capital. They discussed the importance of coordination of economic development efforts among DCED, the Economic Development Corporation of Utah (EDCU), and the various counties and cities. They explained the Smart Site concept, which is to create technology jobs in rural Utah and the medical informatics initiative. Also highlighted was the US Small Business Administration's 8A program and the efforts that they are taking with the Indian tribes in Utah to assist the tribes to qualify. Mr. Harmer said that economic development would like to work more closely with Public and Higher Education in assisting them in understanding the benefits of providing incentives to expand business and therefore opportunities for future employment of the students. One area that Mr. Harmer would like to see clarified is an ambiguity in the state constitution that seemingly prohibits universities from owning equity in a company that is created because of their

research development. Representative Pace wondered if this was on the agenda for the Constitutional Revision Committee. When asked the role that privatization can play in businesses decisions to located or not to located in a state, Mr. Harmer responded that privatization is generally viewed by business a very positive. He said that this is one of the positive signals that the state can send to business. Mr. Harmer and Mr. Gochmour indicated that we do not have a significant number of corporate headquarters located here with CEOs and CFOs, etc. Sometimes when large corporations decide to relocate from Utah, or no not locate a facility here it is not generally because of anything negative toward Utah, but simply part of a larger corporate picture. The gentlemen talked about the role of trade missions, and highlighted recent trade missions to Mexico City, Athens and Torino. Mr. Harmer also reported on positive economic development issues from the last legislative session including the venture capital bill (previously mentioned) and a bill aimed at providing incentives for aerospace firms. He indicated that in the coming year DCED would like to work on an avenue to enhance tourism promotion in the next legislative general session. Representative Goodfellow encouraged Mr. Harmer to look at the legislation providing for the UDOT freeway signs which allow for advertising food, fuel and lodging. He indicated that he was the sponsor of the original legislation, and wondered if Mr. Harmer had ideas about how it might be retooled to be of benefit (and funding) for tourism.

Privatization Assessment Workbook

Copies of the Privatization Assessment Workbook were passed out to board members. This was developed by the board in 2001 after reviewing a workbook compiled by the Colorado State Auditor's Office. Mr. Kesler asked that an acknowledgment be included in the workbook recognizing the Colorado State Auditor's Office who shared their Privatization Assessment Workbook with us, and allowed us to liberally copy and use their information in Utah's workbook. Mr. Richins will see that this is done, and will have a hyperlink on the board's website to the Workbook.

HB302 - A Change in the Privatization Policy Board Statute

HB302 sponsored by Rep. Bigelow passed during the last session. Copies of the bill were distributed to board members. The legislation provides for two additional members to be appointed to the board, representing the Utah League of Cities and Towns and the Utah Association of Counties. The bill also expanded the definition of agency to include administrative units of counties and municipalities, and provided that the board may exercise its authority over those bodies when requested by the local government agency.

Next Meeting

The next meeting will be held on April 15th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a continued discussion of the privatization of senior citizen's services, and a review of the Privatization Assessment Workbook. Ramona Rudert volunteered to contact representatives of businesses that serve senior citizens and a couple of representatives of Chambers of Commerce. Douglas Richins will invite Helen Goddard from the State Department of Human Services.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, January 14, 2003 10:00 a.m.

Room 3150 State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Chair

Bill Barton

Jay Dansie

Ramona Rudert

Scott Carver

Liz Hawkins

Representative Loraine Pace

Douglas Richins, Secretary

Excused:

Norm Tarbox

Absent:

Commissioner Merwin Stewart

Representative Brent Goodfellow

Senator Bill Hickman

Approval of Minutes:

Scott Carver motioned for approval of December's minutes. Jim Kesler seconded the motion. They were unanimously approved.

In today's meeting the board discussed the topics for future meetings that were listed in December's minutes. (The topics from the December meeting are underlined and in bold.)

Ms. Rudert suggested that the proposed Salt Lake County government operated ambulance services, and the county's decision to withdraw this service from the private sector is an issue that the board would be interested in learning about.

Adoption Services

It was decided that this was a very complicated subject, and the board decided not to calendar this issue at the present time.

Factors That Attract or Repel Businesses

It was decided that to invite Dave Harmer from DCED to speak at our March meeting concerning this issue. We would also ask him to address cases of unfair competition that he may be aware of.

Resolution Supporting a Change in the Privatization Policy Board Statute

Mr. Barton made a motion that the Board support legislation that would allow the Privatization Policy Board to review privatization issues at all levels of Government. Currently the board is restricted to reviewing privatization issues in state government. After discussion the board approved the following resolution:

The Board supports legislative effort to amend the statute to allow the Board to investigate Privatization Issues and instances of unfair competition in all levels of government.

The Board further supports eliminating the current statutory requirement for agencies to notify the Board prior to privatizing services or functions.

Mr. Kesler motioned for approval of the resolution. Ms. Rudert seconded the motion. It was unanimously approved.

Health Care (PEHP)

Ms. Hawkins suggested that in light of the rising costs of health care insurance, the board examine whether private insurance providers should be allowed to compete with the Public Employee's Health Plan in providing choice and competition for health insurance for employees. It was suggested that we have Lynn Baker from the State Retirement Board – (Public Employees Health Plan) come to one of our meetings, and provide their perspective on this issue.

Water Management

Mr. Kesler stated that he did not know if any company today could privatize water management. He stated that all water has been appropriated.

Senior Citizens Issues

Mr. Barton stated that most Senior Citizen services are done on a County level but are actually paid for by the State; ie., Meals on Wheels. He suggested that some of these services could be privatized or done by volunteers. Representative Pace recommended that we have someone come from the Chamber of Commerce address us on some of these issues. Ms. Rudert suggested that we have Margie Campbell come from Age Connection to address us on resources for senior citizens. It was decided that we should put this on the agenda for April.

Education

It was decided to talk about education at a later date.

Pharmaceutical Companies

Several members discussed options for citizens to obtain pharmaceuticals less expensively. Representative Pace stated that the only thing that could be discussed on this issue is how to give seniors the information on where to go to get more inexpensive medicines, but questioned whether that was an appropriate role for this board.

Mr. Kesler adjourned the meeting.

There will not be a meeting in February as the Legislature will be in session.

It was decided to move the meetings to the 3rd Tuesday at 10 to accommodate a schedule conflict in Mr. Tarbox's schedule. The next meeting will be held on March 18th, at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, December 10, at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jay Dansie
Bill Barton
Ramona Rudert
Liz Hawkins
Representative Loraine Pace
Representative Brent Goodfellow
Douglas Richins, Secretary

Excused:

Jim Kesler
Norm Tarbox
Commissioner Merwin Stewart

Absent:

Scott Carver
Senator Bill Hickman
Douglas Durbano

Approval of Minutes:

Liz Hawkins motioned for approval of the minutes for November. Ramona Rudert seconded the motion. They were approved unanimously.

Today's meeting included a discussion on topics for the board to address in future meetings. The following ideas were advanced.

- Adoption Services
- Factors that attract or repel businesses
 - Economic Development
- Health Care
 - PEHP
 - CHIP
 - Medicaid
- Water Management
- Senior Citizens Issues
 - Nursing Homes
 - Ability to pay
- Education
- Pharmaceutical Companies

For the January 2003 meeting it was decided to have a board discussion bringing conclusion on issues from past meetings including Driver's Education

The next meeting will be held on January 14, at 10:00 a.m.

There will not be a meeting in February as the Legislature will be in session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, November 12, 2002 at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler – Board Chair
Jay Dansie
Bill Barton
Ramona Rudert
Representative – Loraine Pace
Representative – Brent Goodfellow
Merwin Stewart
Scott Carver
Douglas Richins – Secretary

Excused:

Norm Tarbox
Liz Hawkins

Absent:

Senator Bill Hickman

Visitors:

Betsy Ross – State Auditors Office
Helen Goddard – Department of Human Services
Sheldon B. Elman – Department of Human Services

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for September 10, 2002

Bill Barton motioned for approval of the minutes. Ramona Rudert seconded the motion. They were approved unanimously.

Presentation by Betsy Ross – State Auditors Office

Betsy Ross spoke concerning the State Auditor's history of involvement with Quasi-government entities, and the 1998 Working Group he headed. Ms. Ross presented the results of the Working Group, which suggested a model for determining when an independent entity should be privatized. The Working Group's results were presented to the Legislature, and its legacy exists in the form of the current legislative Quasi-government entities committee.

**Presentation by Helen Goddard and Sheldon Elman
Department of Human Services**

Utah has the youngest population, but we are also an aging state with the 65 + age group growing at 27 % a year. Statewide this age group comprises 8.5% of the population and some of our urban cities and many rural counties already exceed twice the state's average. By 2015 the 65 + will comprise 24% of the total state's population.

Seniors provide a qualified and experienced labor force to support Utah's economic growth and quality education. Business can take advantage of the labor pool.

The Division and Utah State University conducted a survey of 6000 individuals age 55 and over. The results indicate that most seniors will remain in their homes and in their current communities. Unfortunately a large majority has not planned for retirement and those that have felt it will not be adequate. Many feel that as they age they will need some form of transportation to get around when they cannot drive any more. Also many feel they may need some type of in-home services when they get ill.

Businesses, the community and government should begin discussion now to prepare for the baby boom population because it will offer opportunities as well as challenges.

Representative Pace brought up the fact that the legislature does not know how they are going to fund the upcoming problem of senior care. There are a lot of seniors out there who can pay for services but don't. Privatization would be a big help in taking a load off the budget.

Small Business Opportunities:

- Travel and Leisure Services
- Managing Finances
- Services and products to act and remain youthful.
- Physical Fitness
- Assisted Living Facilities
- Home Modifications – Alternative living situations

Individuals who are above a certain income level do not have a lot of help from the private or public sector.

The Privatization Policy Board can help by:

- Contract with private business with special grant or money to deliver services
- Provide education
- Case Management
- Make sure there is no age discrimination

Attached is the slide presentation.

Mr. Kesler thanked everyone for coming to our meeting and their excellent presentations.

The next meeting will be held on December 10th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, October 8, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler

Bill Barton

Douglas Durbano

Ramona Rudert

Liz Hawkins

Jay B. Dansie

Representative Loraine Pace

Scott Carver

Douglas Richins - Secretary

Excused:

Norm Tarbox

Commissioner Merwin Stewart

Absent:

Senator Bill Hickman

Representative Brent Goodfellow

Visitors:

Stephen Ogilvie - State Parks and Recreation

Steve Roberts - State Parks and Recreation

Mike Jerman – Utah Taxpayers Association

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for September 10, 2002

After a spelling error correction and the rewording of a sentence, Jim Kesler motioned for approval of minutes. They were approved unanimously.

Bill Barton expressed his concerns about the burden on the State of Utah to continue to fund golf courses. He suggested that the privatization or that the contracting out of state owned golf courses be considered.

Mr. Roberts read a letter addressed to Norman Bangerter from Department of Natural Resources stressing the importance of State funding for Golf Courses.

Mr. Ogilvie passed out a financial summary and a chart comparing the expenditures and revenue of 3 different golf courses. He also stated that the legislature wants the golf courses to cover their own costs. There is also \$400,000 in bonds that need to be paid out annually for building the golf courses.

Mr. Barton suggested maybe having a contractor buy out the bonds.

Mr. Roberts stated that two of the golf courses were private and when State Parks purchased them their revenue went up 35%. He also stated that these things have been tried. We are just going back and rehashing what has been done before.

Mr. Kesler asked the question, “On a bid would the lessee assume the debt”?

Mr. Robert’s answer was that it would have to be negotiated. It would be hard on the State to offer the golf course to a private entity and the state pick up the debt.

Mr. Kesler also inquired about the interest rate on the bonds.

Mr. Robert’s answer was that they work through DFCM and have a great rate.

Mr. Durbano wanted to know how golf courses fit into the essential function of government.

His answer was the demand for public golf courses. Very few people golf at private courses. It is a win win for all of us.

Mr. Durbano affirmed the public golf courses offers a recreation to the State that would otherwise not exist. The private sector could not fill the market the Parks and Recreation fills.

Mr. Kesler wanted to know why golf courses are built where the population is so low.

His answer was that they were asked by the legislature to take over Palisades and instructed to build Green River.

Money issues and cost to the public were discussed.

Mr. Ogilvie brought up the fact that in small towns economic growth depends on golf courses.

It was also brought up that private golf courses cost more than public golf courses and have more employees.

Ms. Hawkins asked how the money given to Parks and Recreation was distributed. Does the legislature tell Parks and Recreation how to spend it or is it up to them?

The answer was the legislature appropriates the money through a line item. Parks and Recreation is allowed to spend their money how they wish within the line item. Parks and Recreation is issued two line items. One is for the operating budget of the whole division; the other is for the capitol development budget.

Ms. Hawkins also brought up the point that if we take the golf courses away from the citizens of Utah, think of the recourse the people who are elected will have.

Representative Pace brought up the fact that with Parks and Recreation Bear Lake is doing better financially because of snowmobile trails that were put in there.

Mr. Richins brought up the fact that Mr. Barton was not arguing against the state owning golf courses, but whether it is more cost efficient for the state to run golf courses or to contract out. Mr. Richins also wondered if there were any entities that have contracted out.

The answer was that none of the Utah golf courses have been contracted out.

Mr. Kesler asked if any entity or Board has come to Parks and Recreation and told you that they can generate a profit for Wasatch, which is most profitable.

The answer was yes. But most say, "I want to run the golf course but, I want you to maintain it." Nothing is saved in these cases.

Mr. Richins stated that Parks and Recreation keeps Purchasing busy with lots of contracting out for different services.

Tax issues were discussed.

Salt Lake City is not operated as an enterprise fund; they operate in the whole state park system.

Mr. Kesler thanked Mr. Roberts and Mr. Ogilvie for coming to our meeting and making their presentation.

Presentation made by Mike Jerman – Utah Taxpayers Association:

Mr. Jerman stated that Utah golf courses are also a concern for the county. How many golf courses should remain open? What is the burden on our taxpayers? He also stated that many golf courses are losing money and there is a glut of golfing opportunities and you can go anywhere to golf. One of the Taxpayers Association's concerns is public education in Utah. Right now there are not enough funds going there. So basically the concern is the burden on the taxpayers.

Mr. Kesler brought up the fact that the golf courses generate tax dollars for the state.

Mr. Jerman stated that the question was the alternatives for the land. He also asked if we generate any more tax dollars if recreation is moved from one place to another.

Mr. Kesler thanked Mr. Jerman for his thoughts and input on the subject.

It was brought up that bonding was better per state development than private development.

Ms. Rudert brought up water conservation and higher taxes on water. Some golf courses recirculate their water.

Mr. Carver brought up that if the funds from Wasatch pay for the other golf courses then he doesn't see a problem with that.

Mr. Kesler brought up that one of the functions of government is to provide things that most people can afford to enjoy.

For the next meeting it was suggested that we bring ideas for future meetings. The ambulance issue is one.

The meeting was adjourned.

The next meeting will be held on November 12th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, September 10, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Chair

Douglas Richins, Secretary

Representative Loraine Pace

Representative Brent Goodfellow

Ramona Rudert

Liz Hawkins

Bill Barton

Scott Carver

Excused:

Douglas Durbano

Norm Tarbox

Commissioner Merwin Stewart

Sharlene Thomas

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division

Wally Wintle, Utah Driver's License Division

Verl Shell, A-1 Driving Schools

Alan Silva, Bilingual Driving School

Dennis Young, Bilingual Driving School

Gloria Young, Bilingual Driving School

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for August 13, 2002

After a spelling error correction in the minutes, Ramona Rudert motioned for the approval of the minutes. They were approved unanimously.

Report on the Privatization of UTFC, presented by Steve Grizzell

UTFC was established in 1983 as the Utah Technology Finance Corporation. It was at the time set up to be a venture capitol fund. Immediately after it was established and funded UTFC ability to invest in companies was challenged by the Attorney General as being unconstitutional. There is a provision in the state constitution that prohibits the state from extending its credit to a private entity. Eventually the issue was settled and it was agreed that the entity could issue loans but could own stock in the emerging companies.

From the beginning it was viewed as an entity that should become privatized. Since 1991 the paradox that plagued the organization was, "whether UTFC was an economic development entity or whether their role was to demonstrate that a return on

investment and eventually become privatized?” Depending who was on what legislative committee and what year, that particular directive shifted. The constant pulling in different directions posed challenges. For example, in 1991 UTFC was truly focused on being an Economic Development Agency, and suffered revenue losses. In 1991 they began to restructure so that they could break even. They reached that point and then there was a shift in focus and they were directed to accomplish other activities for the state and started losing money in the range of a million to a million and a half per year.

Then there was an audit done by the legislature and it was decided that UTFC was off of its mission and focused the agency on being self-sustaining. The legislative appropriation was terminated. Eventually it was determined that the agency should be privatized.

Banks and the Industrial Loan Corporations were looked into and they came up with a plan to raise 10 million dollars new money to fund the corporation and give back the money to the state. It took 15 to 18 months to complete this process and come up with insurance plans etc.

The UTFC is now a profitable organization. The lenders are happy and right now their goal is to develop economic development needs so they can pay their lenders back. Some of the major investors are Merrill Lynch, American Express, Wells Fargo, Zions, Morgan Stanley, and Pitney Bowes. They invest in the form of stock and get a 10% annual return.

UTFC's operating money is earned by the interest income they receive on their loans. They loan 5 to 6 million dollars a year in loans. It works out to be about one loan per month. They mostly cater to smaller or start up business. Clearly there are businesses that need a lot more so they partner with other lending institutions to address this.

UTFC charges a fixed interest rate and they have a “warrant” or an opportunity to purchase stock in the future at a price that is predetermined that they could make money on. The interest rate covers the expenses and the warrants provide the return that attracts investors.

All of the UTFC employees were retained in the privatized entity. They were able to provide a benefits package that was comparatively close to the benefits they had with the state.

Presentation regarding Driver's Education, by Verl Shell of A-1 Driving School

Mr. Shell has 20 years experience in driver's education in public schools and 20 years experience in commercial driver's education. His school teaches approximately 4,000 students a year. Mr. Shell believes that both commercial schools and public schools do a good job. As a taxpayer he is not happy to pay for programs that could be privatized. He feels that driving a car is a privilege and not the responsibility of the taxpayers.

Mr. Shell feels that the figures from the Fiscal Analyst's Office and the figures from the schools are not accurate. The state subsidizes \$100.00 per student and the student pays about \$65.00. He also feels that privatization eventually will happen because the cost of education is soaring. It is not something new it is done in many states already.

The figures from the Fiscal Analyst's Office say that 6.1 million dollars are going into driver's education. Mr. Shell feels that much more money than that is going into the program. The Fiscal Analyst's Report states that \$121.43 goes to the schools. Mr. Shell stated that at Beaver School District the cost is \$334.18.

Mr. Shell said that private companies can provide services to all areas. He is also developing an internet based school. A concern was brought up on educating the low-income families. Mr. Shell thought that maybe a voucher would work. Another concern was if Driver's Education was privatized, what about the 50 to 100 new employees that the state would have to hire to administer the processing of the applications. Mr. Shell stated that there is a law that covers commercial testing and with approval it can be done at the commercial drivers education site. The Driver's License Administrative Rule states that you cannot test anyone that you have taught at your school, to avoid a conflict of interest. This, however, does not apply to school districts.

Ms. Mann had a report from NHTSA. This study followed youth for 6 to 8 years after getting their driver's license. This report stated that there was no correlation between driver's education and reducing accident rates and mortality rates in our youth. What the study recommended is that there be a graduated drivers license. Our young people only represent 6% or 8% of our drivers but also represent 15% to 18% of our fatality rates.

Ms. Mann also stated that there are 3 components in creating good drivers:

1. A Drivers Education Course
2. Parent Involvement
3. A Graduated Drivers License

One thing that was noted in the study was that there was a 60% percent reduction in accidents when our youth took driver's education and had a graduated drivers license.

Ms. Mann also stated that if drivers education becomes privatized it will affect the Drivers License Division. There will have to be many more employees to deal with the offices and to oversee the private schools to insure against unscrupulous business practices.

Mr. Kesler asked Mr. Shell if he would be willing to provide us with some of his information on the subject because he has gone to such extensive research. Mr. Shell said that he would.

Mr. Kesler thanked everyone for their time and for attending our meeting. He stated that it was very enlightening and informative for this tough problem that has to be dealt with.

The next meeting will be held on October 8th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, August 13, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Sharlene Thomas
Ramona Rudert
Norm Tarbox
Liz Hawkins
Bill Barton
Merwin Stewart

Absent:

Senator Bill Hickman
Representative Brent Goodfellow
Doug Durbano

Excused:

Jay Dansie, Vice Chair

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division
Wally Wintle, Utah Driver's License Division
Gary Ricks, Legislative Fiscal Analyst's Office

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for June 11, 2002

Bill Barton motioned for the approval of the minutes. Jim Kesler seconded the motion. They were approved unanimously.

Presentation from State of Utah, Driver's License Division – Presented by Judy Hamaker Mann, director.

The Driver's License Division oversees driver's education whether that education takes place in public or private high schools, or private driving schools. Approximately 40,000 youth go through driver's education in high schools each year. Several years ago, the legislature amended statutes allowing the high school driver's education instructors to administer both written and driving tests to the students. This has enabled the Driver's License Division to reduce lines in their offices for their other customers.

There are approximately 30 different private Driver's Education Schools in the State of Utah. Ms. Mann indicated that they provide a valuable service to older first time drivers, and to students who don't want to wait to obtain the training in their high school, or who

want to use the class time for other classes. Ms. Mann indicated that this currently provides a mechanism for privatization. The students have a choice.

These private driving schools train about 10,000 students per year. The average fee for these schools is around \$220.00. High School students are charged differing fees, depending on how much each school district chooses to subsidize driver's education. The average fee is about \$65. School districts are also funded \$100 per student from the State Office of Education. Ms. Mann indicated that most of the private schools are only located in the metropolitan areas of the state, and that one of the downsides of going to privatization of driver's education would be that people in rural Utah would not have not have equal access to driver's education.

Every instructor is required to have 21 hours of training offered by BYU or the University of Utah; this includes private and high school instructors. Private schools do a background check to make sure there is no criminal record. They are also required to be at least 21, have 3 years of driving experience and have a clean driving record. The amount of training hours is about the same in high school and in private schools.

Utah is only one of a handful of states that provide driver's education in high schools. In high school driver's education, everything is done in the school: the classroom instruction, the road instruction, the written test, the eye exam and the road test. In private schools, currently one cannot take the road test at the same school that they were trained. The individual must go to another school, or to the Driver's License Division to take the road test. All students must go to the Drivers License Division to get their license issued. Ms. Mann indicated that this is because of oversight, money involved, and to maintain integrity of the testing. High schools have one instructor do the written work, another do the driving instruction and another do the testing. Ms. Mann indicated that the failure rate on the road testing is 30% when the test is performed by the Driver License Division and 3% when the road test is performed by the high school. This is because the Driver License Division has nothing to gain or loose by failing a student. There was considerable discussion among the board regarding what would cause this difference.

The legislature and the schools are concerned because the schools are mandated to provide drivers education and yet enough funds are not provided to fully fund the program. Also, they are concerned with more pressure on academic achievement. Students could use the time to focus on academics. Ms. Mann stated that in her experience with the school system she noticed that driver's education and sports kept the children in school. Representative Pace stated that she did a survey of the 40 school districts and she found that the superintendents did not feel that driver's education kept the children in school. Liz Hawkins felt that attitude in teachers, parents and students played a big role in driver education.

If driver's education is taken out of the schools the Driver's License Division will need to hire 50 to 60 people to cover the 40,000 students who will need their services.

Ms. Mann was asked to bring to the next meeting statistics from other states who had privatized to see if there was a difference in their safety statistics before and after their privatization initiative.

Gary Ricks, from the office of the Legislative Fiscal Analyst expressed concern with the road safety and quality control of driver education in our high schools. He stated that perhaps having a different school do the testing, rather than the school that provided the training would be an improvement.

Ms Mann indicated her support for the current system of having driver's education provided both by private companies and by the high schools. She also indicated her support for the graduated driver's license, believing that this improves safety and reduces accidents and fatalities among youth.

Conclusion of the Meeting

Jim Kesler thanked Judy Hamaker Mann, Wally Wintle, and Gary Ricks for attending the meeting and for the information that they shared with us. They were invited to attend the September 10th meeting.

Jim Kesler asked for other areas that the board wished to examine. Bill Barton suggested that we place an evaluation of golf courses on our agenda. Mr. Richins agreed to invite the director of State Parks and Recreation to the October meeting, and Mr. Barton agreed to contact representatives of private golf courses. Ramona Rudert suggested inviting Steve Grizzell, Executive Director of UTFC for a report on their apparent smooth transition into the private sector. Mr. Richins agreed to contact Mr. Grizzell and invite him to the September meeting.

The meeting was adjourned.

The next Privatization Policy Board Meeting will be on September 10, 2002.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, June 11, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Chair

Douglas Richins, Secretary

Representative Loraine Pace

Ramona Rudert

Bill Barton

Sharlene Thomas

Representative Brent Goodfellow

Senator Bill Hickman

Excused

Douglas Durbano

Liz Hawkins

Commissioner Sterwart

Norm Tarbox

Visitors

Steve Cramblitt, Driver Education,

Granite School District

Cathy Dudley, Utah State Office of
Education

Gail Johnson, Education Specialist for
Driver Education, Utah State Office of
Education

Absent

Jay Dansie, Vice Chair

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for May 14, 2002

Because there was not a quorum, minutes from the meeting on May 14, 2002 were not approved.

Presentation from the State of Utah, Office of Education Regarding Driver Education – Presented by Gail Johnson

Currently, the Driver Education program is being taught by certified teachers in every high school and within three private schools in the State of Utah. Teachers gain this specific certification from either the University of Utah or Brigham Young University as a minor after a teacher's license has been achieved. Once certified, teachers receive at least a one-day refresher and training conference each year. Also, on the district level, training on updated changes with technology and automobiles are offered as well. The State Office of Education assists the Driver Education programs throughout the state by creating curriculum to be followed in every class structure. The State of Utah Board of Education then approves this curriculum. A portion of the state's core curriculum, "Organization, Administration, & Standards", was distributed to the boards members.

It is mandated that a student attending a public school and registered for driver education must complete 30 classroom hours of instruction, 6 hours behind the wheel training and 6 hours of observation behind the wheel. Recent legislation has required youth to have 30

additional hours of driving time with a parent prior to obtaining a license. Private Driving Schools, which were organized for the main purpose of training adults, only requires 18 hours of classroom instruction. The Driver License Division is responsible for the regulation of these driving schools. Also, as part of the public education curriculum, health screenings are obtained prior to licensing by either the driving instructor or the school nurse. This includes an eye exam along with a questionnaire of health related issues. If a student indicates any medical issues on the health screening form, the student with the parent/legal guardian must seek professional health care and submit the information to the Driver License Division, which will review the student's health issues. The Driver License Division will determine the student's driving capabilities. This information will then be given to the driver education teacher. If the eye exam is not passed, the student cannot participate in the driving part of the behind-the-wheel portion of the driver education class until seen and approved by eye care professional.

All funding for Driver Education is gathered from the Motor Vehicle Tax; the \$2.50 fee attached to vehicle registration. Driver Education is not a part of any other state educational funding. The funding model in which districts receive money is \$100 per student who completes a driver education course. Also, at the end of the year, excess funds are then distributed to 20 alternating districts. If this funding model is not sufficient for a particular district, a registration fee may be collected from the student.

Each district is responsible for submitting an annual report to Cathy Dudley expressing the revenue received from local resources to further help fund their driver education program and their expenditures. An example of a financial report from FY2001 was distributed to the board members and showed total expenditure as being \$6.1 million.

When asked by the board regarding the possibility of privatizing Driver Education, two problems were articulated. The first problem noted was Equity. Because of the vast rural areas of Utah, not all districts would have local or even convenient access to a privately run agency. Also, since money from the Motor Vehicle Tax is only given to the Office of Education, not all driving agencies are using the same funding model for registration, which creates a range between \$175 and \$350 per student. This expense could be costly for families if required to assume the entire cost. The second dilemma is the certification process for driving instructors. While public education requires a formal certification from a university, privately run companies have the jurisdiction to certify their own employees. Without mandated legislation regarding certification, the Office of Education fears that the quality in instructors would decrease.

Mr. Kesler thanked Ms. Johnson, Ms. Dudley, and Mr. Cramblitt for the enlightening overview on their program. Representative Pace expressed interest in inviting to the next board meeting a representative from the Utah Driver's License Division and a representative from the largest commercial driving company. Mr. Richins accepted the assignment to contact these individuals.

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending the meeting today and asked that a letter be sent to all members articulating the cancellation of a July meeting and a schedule of remaining meetings for the year. Therefore, the next Privatization Policy Board Meeting will be held on August 13, 2002 at 10:00 a.m. in room 3150 of the State Office Building

Documents Distributed by State Office of Education
1. Organization, Administration, & Standards
2. 53A-13-201 Driver Education Classes – Utah Code Annotated
3. 53A-13-202 Reimbursement of School Districts for Driver Education Class Expenses
4. Financial Report for Utah State Office of Education 2000-2001

For copies of these documents passed out by the State Office of Education, please call Carrie Hickenlooper at (801) 538-3156.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, May 14, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Loraine Pace
Bill Barton
Liz Hawkins
Ramona Rudert
Norm Tarbox
Sharlene Thomas

Excused

Representative Brent Goodfellow

Jay Dansie, Vice Chair
Commissioner Merwin Stewart
Douglas Durbano

Absent

Senator Bill Hickman

Visitors

Brad Simpson, Director of Motor
Vehicles, Tax Commission
Rod Marrelli, Executive Director of
Admin., Tax Commission

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for April 9, 2002

With the change of a misspelled word, Ramona Rudert motioned for the approval of the minutes. Sharlene Thomas seconded the motion.

Overview of Outsourcing by the Division of Motor Vehicles – Presented by Brad Simpson and Rod Marrelli of the Tax Commission

The Division of Motor Vehicles has been pleased with their choice to outsource the service of registration, renewals, and plating to new and used automobile dealer associations and rental companies. Though these outsourced facilities add additional charges to the total price, customers have been pleased by this convenience. Motor vehicles has also entrusted State Fleet services to do their own plating as well.

To help the board better understand all components that form the yearly registration fee, Mr. Marrelli gave the following breakout:

- Registration
- Admissions
- Safety
- A uniform fee for property tax
- The cost for the Tax Commission to serve as a collection agency for public entities requesting special license plates to create revenues for fundraising purposes.

He explained that without all of the extra costs, Registration for a vehicle would only cost \$24.50. In order to better serve their customers, Motor Vehicles established an online registration system, which can accept payments by credit card. When asked by the board

why the online service charged \$3.50 more than if the customer was to pay at the counter, Mr. Marrelli gave three excellent scenarios.

- 1) To mail out the registrations and then receive payment by mail, it costs Motor Vehicles \$1.05
- 2) For an individual to wait in line and pay at the counter, it costs Motor Vehicles around \$1.30 (Mailing costs and staff costs)
- 3) Online renewal costs Motor Vehicles around .50. The money that customers are being charged for is the \$2.50 the bank charges for credit card acceptance and the remaining \$1.00 to the computer company that helps with the online system. The Tax Commission would like to be able to slightly raise registration fees so that the Tax Commission could absorb the credit card fee in hopes that online services would appeal to more users.

In conclusion, both Mr. Simpson and Mr. Marrelli expressed their desire to explore more areas that could be outsourced so that functions could be removed from their office to help taxpayers.

SJR 6 Agenda for Legislative Revenue and Taxation

Mr. Richins gave the board a briefing on the SJR 6, which passed and is now on the study agenda for the Revenue and Taxation Interim Committee. Mr. Richins gave the board the following website, <http://www.le.state.ut.us/Interim/2002/html/2002intrev.htm> so that the board may be informed of future meetings regarding this topic.

Sutherland Institute Auction

Mr. Barton informed the board that the Sutherland Institute was planning a fundraising auction for 8 charities including, Shriner's Hospital, Utah Boys Ranch, and Utah Food Bank.

Quasi-Government Agencies

Stemming from last month's discussion on future topics for the board, Representative Pace distributed a copy of a flow chart mapping out the Quasi-Government Agencies for the board's reference. During the upcoming month, she will have the Quasi-Government staff contact Mr. Richins with appropriate contacts for each agency. Representative Pace suggested also that the board invite the State Office of Education, Driver's Education Division to come and address the possibility of outsourcing this service to help alleviate Education's budget. Other areas also mentioned were: Custodial Services, School Breakfast and Lunches, and Transportation.

Mr. Kesler ended the meeting by expressing his appreciation to the board for the successful meeting and reminded the members that the next meeting will be held on Tuesday, June 11, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, April 9, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Representative Brent Goodfellow
Representative Loraine Pace
Liz Hawkins
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox
Sharlene Thomas

Excused

Douglas Richins, Secretary
Douglas Durbano

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for December 11, 2001 and January 7, 2002

After a grammatical change to the January 7, 2002 minutes, a motion was made by Commissioner Stewart to approve the minutes. Ms. Rudert seconded the motion.

Letter From Attorney General's Office

According to the Privatization Policy Board statute the board has jurisdiction over the privatization efforts of all agencies. As per the discussion raised by the board on December 11, 2001, Mr. Steve Schwendiman, Assitant Attorney General, provided the board a letter stating whether or not Higher Education is considered to be included within the definition of "agency". Paraphrasing, the letter indicated that because higher education is governed by the Board of Regents, which has been considered as a state agency by Risk Management and the Federal Courts, that higher education therefore falls with the Privatization Policy Board's jurisdiction. Mr. Tarbox argued that all nine institutions pre-date the organization of the Board of Regents. Also, being familiar with the federal court cases cited within the letter led him to the opinion that to generalize their findings to the board's question could be a stretch. Mr. Tarbox accepted the assignment from Mr. Kesler to arrange a meeting with Bill Evans and Steve Schwendiman from the AG's office to continue this discussion.

Update on 2002 Legislative Session

Mr. Kesler reported that the SJR 6, the joint resolution urging a study of certain tax exemptions, which the board listened to on December 11, 2001, was passed in both the Senate and the House of Representative during the past Legislative Session. It was indicated that a task force is still being formed to investigate the taxing of governments when they compete with private enterprises.

Subjects and Areas To Be Considered For Future Meetings

Mr. Kesler opened the floor to the quorum to discuss possibilities for subjects and areas to be considered for future board meetings. The following were discussed:

- Tax Commission and their Motor Vehicle Registration (*Mr. Kesler will invite representatives to the next board meeting*)
- Re-invite UDOT to discuss their Crack Sealing procedures and costs
- Private Health Insurance Industry – The encroachment on the private market by public programs (*Commissioner Stewart will contact representatives for a future board meeting*)
- The Legislative Quasi Government Committee that deals with Quasi Government agencies. (*Representative Pace will research for any topics within this organization*)

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for May 14, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board
Monday, January 7, 2002 at 1:30 p.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Brent Goodfellow
Liz Hawkins
Representative Loraine Pace
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox

Excused

Douglas Durbano
Sharlene Thomas

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Visitors

Dr. H. Lynn Cundiff, President of Salt Lake Community College
Frederick VenDerVeir, Utah Public Employees' Association

Jim Kesler, Board Chair, conducted the meeting

Approval of the Minutes for December 11, 2001

The meeting officially began with an examination of December 11, 2001's minutes. Mr. Kesler believed the thrust of Senator Howard Stephenson's presentation to be the concern regarding the loss of funds that schools could receive from the RDA, which was not articulated within the minutes. It was decided that the minutes would be tabled until Mr. Kesler could have an opportunity to clarify Senator Stephenson's position.

Privatization Efforts at Salt Lake Community College

Dr. H. Lynn Cundiff, President of SLCC since April 26, 2001, was invited to address the board regarding privatization efforts within SLCC, particularly the IT area, the Bookstore, and Food Services.

Dr. Cundiff stated that the core mission of SLCC is teaching and learning, however, he adds that they are business oriented as well. Perhaps even more so than other Higher Education Institutions. With an outdated tax structure and the growth of 1,800 students in the past year, resources are dwindling and solutions are needed. Because of these dwindling resources, Salt Lake Community College is down 3 million dollars so far this year. Areas of improvement at SLCC are the: Information Technology Department, the Bookstore, and Food Services. Privatization was seen as a solution that could increase resources and revenue in each of these areas.

Privatization within Information Technology

When Dr. Cundiff began at SLCC he experienced struggles with the existing IT team. In particular was the concern for the quick turnover of their employees. Often an employee would be hired and then within three months be recruited to private industry. Because of this constant turnover and the lack of skills within the existing team, the college turned to Collegius, and awarded that private firm a sole source contract.

Collegius is a team which runs 130 different colleges' IT areas, specializing in distant learning facilities and the training of faculty. Existing employees of the college are guaranteed one year of employment (full benefits and salary) and are retained after the year if their performance meets standards. Problems such as sick and annual leave policies do differ between SLCC and Collegius and are being looked at. However, Dr. Cundiff expressed those employees who merge with Collegius often retain their employment for at least three years; this being the incentive that such differences can be worked out. Collegius also offers the college the ability to become an International Center for eLearning. By doing so, business people from all over the world would come and receive training in educational distance learning. Dr. Cundiff believes that this partnership will provide the opportunity for SLCC to net 1.3 million dollars per year.

Privatization within the College Bookstore

The lack of customer service at the college bookstore has been a top complaint by students. Also, the concern over the unstable revenue of the organization has raised the concern of Administration. For example, two years ago the bookstore was down \$75,000, but was up the following year by \$400,000. This year, however, they are on track again to lose \$70,000. SLCC is currently looking at the possibility of outsourcing the bookstore. Two bids have been received from companies who, between the two of them, run over 1000 college bookstores nationwide. Both of these bids guarantee that SLCC would net \$300,000 a year plus all employees would be kept and the awarded company would rent the existing space. The company would also buy the current inventory with the estimated worth being around one million dollars. SLCC would then invest the money into an escrow account to collect interest. This interest would provide an additional 60-70 scholarships. SLCC has not yet decided whether this area will be privatized or remain operated by the college.

Privatization of SLCC's Food Services

Salt Lake Community College is currently a few years away from formally considering the privatization of this area. Physically, the college is being remodeled to facilitate

outsourcing. Those who are contracted with would lease the available area and provide the college a percentage.

Conclusion of the Meeting

Mr. Kesler thanked Dr. Cundiff for his presentation and thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for March 12, 2001 at 10:00 a.m. in room 3150 of the State Office Building.

Please Note that this meeting was subsequently postponed to April 9, 2002 at the same time and location of the previous meeting.

Minutes
Utah State Privatization Policy Board Meeting
December 11, 2001, 10:00 a.m.
3150 State Office Building, Salt Lake City

Attendees

Jim Kesler, Board Chair
Representative Loraine Pace
Norm Tarbox
Sharlene Thomas
William T. Barton
Douglas Durbano
Ramona Rudert
Douglas Richins

Excused

Commissioner Merwin Stewart

Absent

Jay B. Dansie
Senator J.W. Hickman
Representative Brent Goodfellow
Elizabeth Hawkins

Visitors

Senator Howard Stephenson
Taz Biesinger, Utah Home Builders Association
Eric Isom, Utah State Senate
Spencer Stokes, Stokes Strategies
Stephen Schwendiman, Attorney General
Scott Hogensen, Utah Taxpayers Association
Jim Olsen, Utah Retail Merchants
Melva Sine, Utah Restaurant Association
R. Rows, Utah School Superintendents Association
Steven H. Peterson, Utah School Boards Assoc. & Utah School Superintendents Assoc.
Mike Herman, Utah Taxpayers Association
Marta Murvosh, Salt Lake Tribune
Jamie Cowen, KUTV News
Scott Earl, Utah League of Credit Unions
Travis Wood, Utah League of Credit Unions

Jim Kesler, Board Chair, conducted meeting.

Mr. Kesler welcomed the board members to the meeting and asked for a motion to approve the minutes from the board meeting of November 13, 2001 with the changes made by Representative Pace. Mr. Barton moved to adopt the minutes and Ms. Rudert seconded the motion. All members voted in favor.

Mr. Kesler then introduced Senator Howard Stephenson, who requested the board's input on his proposed legislation regarding the development of a task force to investigate taxing governments when they compete with private enterprises. His concept is to empower a legislative taskforce to evaluate whether it would be equitable for such public enterprises to pay tax on those areas where they are competing with private companies who do pay tax. He said that his interest spawns from the funding crisis which will be facing Utah's public schools, where an estimated 100,000 additional students will need to be accommodated by the year 2010. Senator Stephenson requested that the board consider adopting a resolution in favor of his proposed legislation.

The board heard testimony supporting the concept of this legislation from Steven H. Peterson, representing the Utah School Boards Association & Utah School Superintendent's Association; Melva Sine, representing the Utah Restaurant Association; Taz Biesinger, representing the Utah Home Builders Association; and Scott Hogansen, representing the Utah Taxpayers Association.

After discussion, Ms. Rudert moved to approve the following resolution and Mr. Durbano second the motion. All board members voted in favor. ***"The Utah Privatization Policy Board supports Legislation to create a Legislative Task Force to study the equitable taxation (especially for the benefit/funding of education) of public enterprises which compete with the private sector, but do not pay the same taxes as their private sector counterparts."***

Mr. Richins indicated that he would forward the resolution to Senator Stephenson.

Stephen Schwendiman, from the Attorney General's office, joined the meeting at the board's request to discuss his interpretation of the intent of the statute on the role and authority of the board. Mr. Schwendiman indicated that he had not done a significant amount of research on the topic, but that his reading of the statute provided that the authority of the board extended to state agencies, not to local governments, or school districts. The statute defines an agency as: "'Agency' means a department, division, office, bureau, board, commission, or other administrative unit of the state." Of particular interest to the board was whether or not the word "agency" included higher education as a unit of the state. Mr. Schwendiman rationalized that, though unclear in the statute, the fact that a representative from higher education is a board member led him to believe that higher education would be included within the definition. Mr. Tarbox disagreed saying that if the legislature were to adopt the statute today, that definition would not include higher education. He said that now when the legislature intends to include higher education as a state agency a clause is added saying "and an institution of higher education". It was agreed that the board would look further into this, but the

consensus was that to invite higher education to meet before the board and respond to privatization issues would not be offensive to the statute.

The next agenda item included a presentation by Norm Tarbox, Associated Commissioner of Higher Education articulating privatization efforts among higher education since 1996. He distributed to the board a paper entitled “Recent Elements of USHE to be Privatized (since 1996)”, which is incorporated into these minutes.

Sharlene Thomas raised a discussion on the Salt Lake Community College’s intent to privatize their bookstore and Information Technology services. The board asked Mr. Richins to extend an invitation to the President of SLCC, or his representative to come to the next meeting to review with the board SLCC’s privatization efforts in the areas of information technology and the bookstore.

The next board meeting was scheduled for January 7, 2001 at 1:30 pm in room 3150 of the State Office Building.

Mr. Kesler thanked the board for their attendance and participation and then adjourned the meeting.

Attachment: Paper titled “Recent Elements of USHE to be Privatized (since 1996)”.

Minutes
Utah State Privatization Policy Board Meeting
November 13, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Jay B. Dansie
Rep. Brent Goodfellow
Rep. Loraine Pace
Sharlene Thomas
Norm Tarbox
William T. Barton
Douglas G. Richins
Ramona Rudert

Excused

Commissioner Merwin Stewart
Douglas Durbano

Absent

Sen. J.W. Hickman

Meeting was conducted by Jim Kesler.

Being that three new board members were in attendance at this meeting (Representative Loraine Pace, Ramona Rudert, and Norm Tarbox) Mr. Kesler asked each board member to take a moment to introduce themselves. In remembrance of the late senator and former board member, Pete Suazo, Mr. Kesler related his admiration for Pete's influence over the citizens of Utah.

Douglas Richins presented an overview of the Privatization Policy Board, its purpose and objectives, as well as the newly developed web site. This web site contains information such as the mission statement and statute of the board as well as past minutes, agendas, and the contact information for each board member. During his presentation, great interest was raised by the board to gain more knowledge regarding the privatization of the Salt Lake Community College bookstore project. Concern was raised, however, that Higher Education might not be classified as an agency. Rep. Pace volunteered to have the legal staff confirm this.

As for the future direction and organization of the board, it was agreed upon that monthly meetings should continue to be held on the second Tuesday at 10:00 a.m. in the Purchasing Conference Room. Future interest and agenda topics are the following:

- *Privatization of the SLCC Bookstore
- *Presentation by the Utah Restaurant Association
- *Presentation from the Utah Home Builders Association
- *List of privatization initiatives within Higher Education – to be presented by Mr. Tarbox.
- *Mr. Barton would like to unfair competition with local governments.

Mr. Kesler thanked the board and adjourned the meeting with the reminder that they would meet again on December 11, 2001 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes
Utah State Privatization Policy Board Meeting
February 13, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Rep. Brent Goodfellow
Commissioner Merwin Stewart
Sharlene Thomas
William t. Barton
Douglas G. Richins

Excused

Nora Stephens
Douglas Durbano
Fred R. Hunsaker

Absent

Sen. L. Steven Poulton
Sen. Pete Suazo
Jay B. Dansie

Jim Kesler, Chairman, conducted meeting.

Mr. Kesler welcomed the board members to the meeting. Because a quorum was not present, no official action was taken.

Much discussion was given to the development of a Utah Policy Book regarding Privatization. It is the goal of the board to develop a document that gives guidelines, references, and information to assist agencies. Other suggestions included definitions, procedures, and guidelines for developing a successful contract.

Minutes
Utah State Privatization Policy Board Meeting
January 9, 2001
10:00 a.m.

Attendees

Jim Kesler, Chairman
Rep. Brent Goodfellow
Commissioner Merwin Stewart
Nora Stephens
William t. Barton

Excused

Douglas G. Richins
Douglas Durbano
Jay B. Dansie
Fred R. Hunsaker

Absent

Sen. L. Steven Poulton
Sen. Pete Suazo
Sharlene Thomas
Thomas Bielen

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members to the meeting. Because a quorum was not present, no official action was taken.

Much discussion was given to the development of a Utah Policy Book regarding Privatization. It is the goal of the board to develop a document that gives guidelines, references, and information to assist agencies. Other suggestions included definitions, procedures, and guidelines for developing a successful contract.

To continue the development of this document, a committee of board members consisting of Jim Kesler, Commissioner Merwin Stewart, William T. Barton, Douglas Richins, Douglas Durbano, Jay B. Dansie, and Sharlene Thomas was organized to meet on February 13, 2001 at 10:00 a.m. in room 3132 of the State Office Building.

MINUTES
PRIVATIZATION POLICY BOARD MEETING
June 13, 2000
10:00 AM

Attendees:

Jim Kesler, Chairman
Douglas Richins, Secretary
Rep Brent H. Goodfellow
William T. Barton
Sharlene McFarland
Douglas Durbano
Fred R. Hunsaker

Absent:

Jay Dansie, Vice Chair
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

John Kimball, Dep. Of Wildlife Resources

Excused:

Commissioner Merwin U. Stewart
Rep. Nora T. Stephens
Steve Price

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. Because a quorum was not present, no official action was taken.

Department Of Wildlife Resources - John Kimball

Mr. Kimball was invited to address the board on the positive and negative effects of privatization in the Department of Wildlife Resources. A background was given on the development of Hardware Ranch from the 1930s to present. Through a competitive process a contract was awarded to an individual to open a restaurant and manage the visitor services (sleigh rides and visitor's center) Also was awarded the contract of growing the hay and running all of the production responsibilities of the ranch. These contracts increased profits for the ranch. Representative Goodfellow asked several questions regarding the 1996 Systems Consultant contract for Big Game Drawings. There was considerable discussion about the mailing of the applications for the drawing and whether this system is customer oriented.

Future Direction of the Board

- * Mr. Durbano's remarks on Privatization in Education will be the first order of business in September.
- * Bill Barton suggested inviting Jordan Clemans who is organizing a nonprofit scholarship fund.
- * Mr. Durbano would also like to see Motor Vehicle Registration looked at by the board.

Mr. Kesler closed the discussion with a reminder that the next meeting will not be until September.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, May 9, 2000
10:00 a.m.

Attendees:

Jim Kesler, Chairman
Douglas G. Richins, Secretary
Rep Brent H. Goodfellow
Rep Nora T. Stephens
Merwin U. Stewart
William T. Barton
Sharlene McFarland
Douglas Durbano
Fred R. Hunsaker

Excused:

Thomas Bielen

Absent:

Jay B. Dansie, Vice-Chair
Senator L. Steven Poulton
Senator Pete Suazo
Steve Price

Visitors:

None

Meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members to the meeting. Following a motion by Representative Stephens, the minutes of the previous meeting, April 4, 2000, were approved.

Report of Internet Site For the Privatiza

tion Policy Board - Douglas Richins

Mr. Richins discussed the development of an Internet site to notify the public about the Privatization Policy Board. This site will be accessed through the State's home page under Boards and Commissions. Another anticipated route is to have the site included in an Alphabetical Listing of State Agencies. The object of this site is to educate the public regarding the role and responsibilities of the Board. This will be achieved by posting the Board's mission and goals along with their meeting agendas, minutes and reports. An avenue for contacting the members of the Board about privatization issues will also be included. The Board's hope is that this Internet site will bring posture to this committee.

Direction and Subjects For Future Agendas

- Mr. Stewart and Rep. Stephens would like to hear reports from agencies about their success with Privatization. This could help in giving the Board a direction.
- Mr. Durbano suggested investigating privatization of services performed by counties,

cities, and school boards. He is particularly interested in inviting School Boards to come to a future board meeting.

- Follow-up reports presented by agencies seen by the board was also proposed.
- Mr. Barton is interested in the contracting out of golf courses and the development of an amendment to give the Board authority.
- Mr. Richins suggested that UDOT come and discuss their successes regarding privatization
- Rep. Goodfellow suggested that Wildlife Resources be invited to discuss public concern over obtaining licences and registrations.
- Rep. Stephens advised that the Board also consider the subjects of Driver's Licenses, Vehicle Registration, and Adoption.

It was decided to invite Wildlife Resources to present at the next meeting. In the event that Wildlife Resources in unable to attend, UDOT could be invited

The board moved that Privatization meetings would not be held in the months of July and August and that they would reconvene in September.

An invitation by Mr. Richins was extended to members to attend an Overhead Presentation on Privatization. This will be given to a group made of individuals from foreign countries on May 11, 2000 at 1:30pm in room 3150 of the State Office Building.

Mr. Kesler closed the discussion with a reminder that the next meeting will be held on Tuesday June 13, 2000 in room 225 of the State Capitol.

Assignment	Person Responsible	Date Due
Contact & Invite DWR	Douglas Richins	June 13, 2000
Contact & Invite UDOT	Douglas Richins	June 13, 2000
Present Comments on Board of Education	Douglas Durbano	June 13, 2000

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, April 4, 2000
10:00 a.m.

Attendees:

Jim Keeler, Chairman
Merwin U. Stewart
Rep. Nora Stephens
Sharlene McFarland
Douglas Durbano

Excused:

Douglas Richins, Secretary
Steve Price
Fred Hunsaker

Absent:

Jay B. Dansie, Vice Chair
William Barton
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

Reed Taylor, Division of Purchasing and General Services

The meeting was conducted by Jim Keeler, chairman. Mr. Keeler welcomed the board members and visitor to the meeting. Because there was not a quorum present, no official action was taken.

Mr. . Keeler led the Board in a open discussion on the future of the Privatization Policy Board.

Following the discussion, the next meeting was set for May 9, 2000 at 10:00 am in room 225.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, January 11, 2000
9:30 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
William Barton
Merwin U. Stewart
Rep. Brent Goodfellow
Sharlene McFarland
Fred Hunsaker

Excused:

Douglas Richins, Secretary
Steve Price

Absent:

Rep. Nora Stephens
Senator L. Steven Poulton
Senator Pete Suazo
Thomas Bielen

Visitors:

Bob Richards, Salt Lake Chamber
Drew Chamberland, The coalition for accountable government
Betty Christensen, The coalition for accountable government
Michael Packard, The coalition for accountable government
Jim Clark, UTA
Bill Barns, UTA

The meeting conducted by Jim Kesler, chairman. Mr. . Kesler welcomed the board members and visitors to the meeting. Following a motion by Mr. . Kelser, the minutes of the previous meeting held December 14, 1999 were approved.

Update on proposed legislation affecting the Privatization Policy Board.

Representative Swallow explained the proposed legislation affecting the Privatization Policy Board. The legislation will give the board authority to hold public hearings with private enterprise, prohibit commercial activities by government agencies, and make recommendations to the legislature to propose policy language regarding private vs. public competition. The privatization policy board will gain two new board members from government agencies. Division of Purchasing and General Services will provide the staff support which will cost an additional 10,000 to 20,000 dollars. Mr. . Kesler suggested that an investigator and legal advise would be

helpful in assisting the board. The board asked Representative Swallow if the two Legislature Representatives would still be able to serve on the board? Representative Swallow stated that because this board does not have enforcement capabilities, the two legislatures can serve on the board. Representative Swallow asked the board to help draft the necessary language. Mr. . Kesler, Ms. McFarland, Mr. . Barton and Mr. . Hunsaker volunteered to represent the boards interests. The board is in favor of the bill. Representative Swallow hopes this bill will allow the board to do a complete investigation of privatization issues which will give credibility to the board.

Utah Transit Authority of Development of Properties

Mr. Drew Chamberland, Mrs. Christensen, and Mr. Michael Packard were in attendance at the board meeting representing the Coalition for Accountable Government.

Mr. Drew Chamberland stated that UTA's interest in the development of properties is extremely dangerous and should not be considered. Mrs. Christensen pointed out an expensive add in the publication "Envision Utah" that UTA funded that she deemed inappropriate. She stated that the add violated restrictions on how tax monies should be spent. Mr Packard presented some facts and opinions about public transportation but did not present any issues regarding privatization.

Bill Barns of the UTA stated that the resolution regarding the development of properties (Resolution No. 354) mandated nothing more than obtaining board approval and following federal regulations. Mr. Kesler asked Mr. Barn if RFPs were being used in the procurement process for which Mr. Barns answered in the affirmative. Mr. Kesler emphasized that the intent of the resolution needed to be communicated with the private sector.

Mr. Barton indicated he had some concern with the verbiage in the resolution that gives UTA the authority to be a "Sole developer". Mr. Barns indicated that he would add some clarification language.

Mr. Kesler advised UTA of some tax issues and then thanked UTA for coming to the board meeting.

Mr. Barton provided a copy of a proposed resolution titled Privatization Review Board Resolution to the board and ask that they review the document in the March meeting.

Mr. Kesler ask for other comments and adjourned the meeting until March.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Wednesday, January 13, 1999
10:30 a.m.
Approved March 9, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Merwin U. Stewart
Douglas Richins, Secretary	Rep. Nora Stephens
William Barton	Senator Pete Suazo
Thomas Bielen	Rep. Brent Goodfellow
Sharlene McFarland	

Visitors:

David Winder, Utah Dept. of Community & Economic Development
Robyn Arnold-Williams, Utah Dept. of Human Services
Doug West, Utah Dept. of Human Services
Marty Shannon, Adoption Advisory Council
Frances Smith, DCFS Adoptions
D. Steadman, DCFS Adoptions
Jamee Roberts, People Helping People
Bob Lockyer, Small Business Leg. Task Force

Excused:

Fred Hunsaker
Senator L. Steven Poulton
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held December 8, 1998 were approved following a motion by Mr. Stewart.

PROPOSED PRIVATIZATION OF THE DCED NATIONAL BUSINESS RECRUITMENT FUNCTION

At the December 8th Privatization Policy Board meeting, David Winder, Executive Director of the Utah Dept. of Community & Economic Development came before the Board to provide notice of his department's intent to privatize the National Business Recruitment function within the Division of Business Development. He gave a presentation and the Board asked questions and then excused Mr. Winder believing that the privatization efforts of the size he was proposing did not require Board approval. However, without Board approval the statute requires a 120 day waiting period before the Department may move ahead with it's privatization effort. Since Mr. Winder would like to move ahead sooner than 120 days Mr. Richins invited him back before the Board to seek approval. Following a brief discussion a motion was made by Mr. Barton and seconded by Mr. Stewart to approve Mr. Winder's privatization effort. The motion was approved with two dissenting votes by Mr. Bielen and Ms. McFarland.

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UTAH STATE PRIVATIZATION POLICY BOARD
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PRIVATIZATION OF ADOPTION SERVICES - Robyn Arnold-Williams

Mr. Kesler then turned the meeting over to Ms. Robyn Arnold-Williams, Executive Director of the Dept. of Human Services to discuss potential privatization of adoption services.

Background

Ms. Arnold-Williams began her presentation with a budget overview (ATTACHMENT A). The overall budget for the Department of Human Services for fiscal year 1999 is \$461,379,019. This amount includes the Division of Youth Corrections. During FY'99, the Department of Human Services will *contract out* nearly \$219,701,700. This amount is equal to approximately 48% of the department's total budget. Contracting and privatization is a very large issue for Human Services. Because Human Services had ventured into some fairly expansive contract privatization efforts, it was decided in 1997 that the Department would provide some privatization guidelines (ATTACHMENT B) for their agencies and for their own efforts as they began to look at additional functions that should be privatized.

Division of Child and Family Services Privatization Initiatives

During this past year 98-99 the Division has implemented two major privatization efforts: 1) The Foster Care Foundation which was authorized by the Legislature last year authorizing the Division to privatize and contract out for the recruitment, training and support of foster parents; and 2) The Christmas Box Foundation in conjunction with the author, Richard Paul Evans, to develop children shelters throughout the state.

The Kansas Model

On October 1, 1996, Kansas contracted all adoption services to a single statewide private agency whose primary business is to find homes for children in need of permanent families. The contract agency is responsible for the recruitment and training of prospective families and for preparation and placement of children into those homes. Rochelle Chronister, Secretary of the Kansas Department of Social & Rehabilitation Services, indicated to Ms. Arnold-Williams that if they had it to do over again they would not have gone as far and as fast as they did. Privatizing all of child welfare at one time is not something they would do again. They have experienced significant cost over runs in their foster care out of home care privatization effort. Of the three major areas Kansas privatized, adoption has been the most successful although not as successful as they had hoped.

Human Services Current Plans

Ms. Arnold-Williams plans to take all the data and recommendations from the Adoption Advisory Council and The Board of Child and Family Services and put the Department's privatization guidelines to the test. She expects this analysis to be complete within three to four months, and once done, she indicated she would like to come back before the Board with a report containing specific recommendations from the Department as to which functions of adoptions should be privatized.

Personal Philosophy

"This is an issue I think we should look at. I admit that I am not ready to privatize foster care and other aspects of child welfare with respect to that. However, I believe that privatizing adoptions is one area that does hold potential. So, I am entering into this discussion voluntarily and with a very open mind. I am also willing to say that if after all the analysis is complete and it does not look like **UTAH STATE**

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privatization is in the children's best interest, then I am not going to take that position," concluded Ms. Arnold-Williams. (Note: Ms. Arnold-Williams is tentatively scheduled to return before the Board May 11, 1999 with

results of her Department's analysis.)

FAIRNESS and TAXATION RESOLUTION - Douglas Durbano

Mr. Kesler then turned the meeting over to Mr. Durbano to review his resolution.

Resolution - Fairness and Taxation (ATTACHMENT C)

Following discussion and rewording, a motion was made by Mr. Durbano and seconded by Mr. Barton to approve the resolution. The resolution was approved with two dissenting votes by Mr. Bielen and Ms. McFarland. Board members determined that this resolution should be distributed to the Governor's Office, Leg. Management Committee, Chairs of Revenue and Taxation Committee, Office of Leg. Research and Office of Fiscal Analyst.

MOTOR VEHICLE LICENSING & REGISTRATION POSITION PAPER - Jim Kesler

Mr. Kesler handed out his position paper and asked the members to read and critique it (ATTACHMENT D).

Following a brief discussion on the format and some rewording Mr. Kesler invited the members to take the position paper home and continue to review it and bring it back to the next meeting for further discussion.

BOARD POLICY REGARDING PRESS RELEASES

Mr. Kesler turned the meeting over to Mr. Barton to discuss press releases. Mr. Barton feels that any positive thing the Board does, such as passing resolutions, should be issued in a press release. Mr. Kesler agreed, but cautioned that a couple of the resolutions that were passed recently needed to be amended due to language or inaccurate information. Rep. Stephens asked if the Board had access to anyone with expertise in writing resolutions and press releases. Mr. Stewart said he felt it would be in the best interest of the Board to work through the Governor's office since these resolutions may become a public issue. Board members decided that Mr. Kesler and Mr. Richins would meet with Vicki Varela, Deputy Chief of Staff, to discuss how to handle press releases.

Mr. Kesler closed the meeting with a reminder that the Board would not meet during the month of February. Instead, the next Privatization Policy Board meeting will be held on Tuesday, March 9, at 9:00 a.m. in room 225 of the State Capitol.

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TASK	PERSON RESPONSIBLE	DUE DATE
Send <i>Private Bus Contracting for Utah School Districts Resolution</i> to State Office of Education and recommend that they distribute it to the school districts. Also in the letter invite their response.	Richins	
Correspond with San Juan School District, Ogden School District and Utah Schools for the Deaf and the Blind and ask them what their experience has been with private school bus contracting.	Richins	
Send <i>UTA Bus Contracting Resolution</i> to UTA board members. Also in the letter invite their response.	Richins	
Send <i>Fairness and Taxation Resolution</i> to Governor's Office, Leg. Management Committee, Chairs of Revenue and Taxation Committee, Office of Leg. Research and Office of Fiscal Analyst.	Richins	
Meet with Vicki Varela to discuss how to handle press releases.	Kesler & Richins	
Critique Jim Kesler's Position Paper.	Board Members	March 13
Invite Robyn Arnold-Williams back to the May 11 th Board meeting to discuss the results of her Department's adoption analysis.		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, March 9, 1999
9:00 a.m.
Approved April 13, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Fred Hunsaker
Douglas Richins, Secretary	Steve Price
William Barton	Sharlene McFarland
Thomas Bielen	

Visitor:

Bob Lockyer, Small Business Leg. Task Force

Excused:

Merwin U. Stewart
Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Senator L. Steven Poulton

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. The minutes of the previous meeting held January 13, 1999 were approved following a motion by Mr. Barton.

REPORT ON SB49 - Douglas Richins

Mr. Kesler turned the meeting over to Mr. Richins to give a report on Senate Bill 49, Unfair Competition Act. Mr. Richins indicated that the original bill was substituted with revised bills. The Third Substitute SB49 did not pass the Senate. Mr. Richins highlighted to the Board a significant policy statement articulated within SB49. It was found on line 150 of the Third Substitute.

(1) It is the general policy of the state that a government agency or institutions of higher education should not begin or maintain any commercial activity to provide goods or services for the use of other governmental agencies or institutions of higher education or for public use if such goods or services can be procured from private enterprise through ordinary business channels.

Mr. Richins pointed out that this policy statement would have had a significant impact. The policy statement is one that Mr. Richins believes has not existed in statute before. It would have the effect of discouraging intergovernmental cooperation and would focus the procurement of those services upon the private sector.

Further discussion of SB49 centered around the concept of unfair government competition. Mr. Lockyer, Salt Lake Chamber of Commerce Small Business Legislative Task Force, indicated that their highest priority was to see that SB49 passed. He made known there are numerous private businesses, from

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pharmacies to mining engineer consultants, furious that the legislation didn't pass. "A lot of businesses are threatened

with going out of business due to government competition. Analytical Laboratories are predicting a 30% loss this year due to government competition,” said Mr. Lockyer. Mr. Lockyer asked the Board to please study and work out some kind of an accord with these industries. The Board agreed with Mr. Lockyer that the three industries that had lobbied so hard in favor of SB49, pharmacies, environmental testing laboratories and engineering groups, have some legitimate issues that should be heard. Mr.

Richins mentioned that he had been contacted by a woman from an engineering group in Cedar City who, if SB49 failed, would like to come before the Board and articulate issues relative to what she perceives as unfair competition. A motion was made by Mr. Barton requesting that the Board develop a policy statement relative to unfair competition. The motion was seconded by Mr. Hunsaker and passed unanimously.

“This Board is merely advisory, a lot of the good this Board can accomplish is just in the discussion phase bringing people together helping them conceptualize privatization and see that maybe this is an avenue where they can assist their agency in being more effective,” said Mr. Richins.

PRIVATE PRISON UPDATE - Douglas Richins

Mr. Kesler once again turned the meeting over to Mr. Richins this time for a brief update on the private prison. “Currently a Request for Proposal is out on the street and the due date for the final submission is March 16. This proposal is for a private company to site, design, construct and then operate a five hundred bed medium security prison facility for the Dept. of Corrections. It is a two-step RFP process, the first step was to identify and establish the field of qualified contractor teams. The offerors have been narrowed down to four teams: MTC, Wackenhut Corp., Cornell Corrections Corp., and Corrections Corp. of America. I’ll be happy to keep the Board apprised of its progress,” said Mr. Richins.

REVIEW and FINALIZE ANNUAL REPORT

Mr. Kesler then turned the meeting over to the board members to discuss the Board’s annual report. After some discussion a motion was made by Mr. Durbano and seconded by Mr. Barton to adopt Mr. Kesler’s position paper. Mr. Dansie expressed concern that each position paper should be simple and straight forward. He suggested that all papers should be structured in the same format as Mr. Kesler’s utilizing the heading’s *Problems Observed, Possible Solutions, Conclusion, and Reference & Testimony*.

REVIEW PRIORITIES

Board members decided to forward this agenda item to the April meeting.

PRESS RELEASE POLICY - Douglas Richins & Jim Kesler

On March 8, Mr. Kesler and Mr. Richins met with Vicki Varela of the Governor’s Office to discuss press releases. Mr. Kesler expressed concern whether the Legislature really anticipated that the Privatization Board would be issuing press releases given it is an advisory board only to the Governor and the Legislature. After some discussion, it was concluded that it is *not* the role of the Privatization Board to issue press releases. Therefore, as a normal course of practice, the Board will not issue press releases on positions that it takes.

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Mr. Barton expressed concern that the Privatization Board’s function needs to be announced to the private sector. Board members agreed. Mr. Kesler volunteered to contact Mr. Lockyer of the SL Chamber and have him include an announcement in their newsletter. Mr. Kesler asked Mr. Durbano to contact the Davis Chamber of Commerce and Mr. Barton to contact the South Valley Coalition of Chambers and notify them of the Board’s meeting schedule.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, April 13, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DUE DATE
Contact Mr. Lockyer of the SL Chamber of Commerce and ask him to include an announcement regarding the Privatization Board in their next newsletter.	Kesler	
Contact the Davis Chamber of Commerce	Durbano	
Contact the South Valley Coalition of Chambers	Barton	
Write a letter to J. David Barba, Colorado State Auditor, for permission to use some of his language contained in Colorado's Privatization Assessment Workbook.	Richins	

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, April 13, 1999
9:00 a.m.
Approved May 11, 1999

Attendees:

Jim Kesler, Chairman	Douglas Durbano
Jay B. Dansie, Vice Chair	Fred Hunsaker
Douglas Richins, Secretary	Thomas Bielen
William Barton	Sharlene McFarland
Rep. Nora Stephens	Merwin U. Stewart
Rep. Brent Goodfellow	
Senator Pete Suazo	

Visitor:

Senator Howard Stephenson
Bob Richards, SL Chamber Small Business Leg. Task Force

Excused:

Steve Price
Senator L. Steven Poulton

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Bob Richards, SL Chamber Small Business Leg. Task Force, introduced himself as Bob Lockyer's replacement. The minutes of the previous meeting held March 9, 1999, were approved following a motion by Mr. Barton.

Overview of S.B. 49, *Unfair Public Competition Act* - Senator Stephenson

Mr. Kesler turned the meeting over to Senator Stephenson to give an overview of his S.B.49, *Unfair Public Competition Act*. "The failure of S.B.49 to pass was due to several different factors. This year certain groups became very mobilized against the bill partly because the bill specifically prohibited government from competing with the private sector in three areas: pharmacies, engineering consulting, and environmental testing services," said Senator Stephenson.

In Senator Stephenson's opinion the most important part of S.B.49 was changing the Privatization Policy Board to a Commission with actual authority to take legal action when those services that were prohibited by the Legislature continue to be provided by state or local governments. The new Commission would also be charged to hear complaints from the private sector and then make recommendations to the Legislature regarding what areas ought to be prohibited.

Senator Stephenson indicated that if he were to bring the bill again, he would simply change the Privatization Policy Board to a Commission and not prohibit any services or competition. Senator Stephenson encouraged Board members to urge the Legislature, through its interim study, to look at legislation that would expand the Policy Board's authority. Senator Stephenson feels that he should not sponsor this bill again, suggesting instead that the sponsor should be a Legislator on the Business, Labor and Economic Development Committee.

Rep. Stephens indicated that she felt the Board should send a letter to the Legislative Management Committee to encourage studying enhanced powers for the Privatization Policy Board. After some discussion, Rep. Stephens made a motion that she would draft the letter in behalf of the Board to the Legislative Management Committee expressing the Policy Board's desire to have this issue studied by the Legislature. (Letter Attached.) The motion was seconded by Mr. Durbano and passed unanimously.

Senator Stephenson informed the Board that this issue is Item #93, "Unfair competition to study options for dealing with unfair government competition with the private sector," on the master study list. In the past the committee that has considered this legislation was Business, Labor and Economic Development. On April 21, 1999, Legislative committees will have the opportunity to look at and request to study any items even though they are grouped by subject area. If there are duplicate requests for study the Legislative Management Committee will determine which committee should study the item.

Privatization Policy Board's Annual Report

Ms. Moulton passed out a draft of the annual report. Senator Suazo made a motion that Board members individually review the draft and that it be placed on May's agenda for editing and finalization. The motion was seconded by Mr. Dansie and passed unanimously.

Other Business

The Board had a discussion concerning Utah Correctional Industries and subsequently decided to review if UCI is unfairly competing with the private sector.

Rep. Stephens pointed out that many government agencies are contracting out parts of their services but the Privatization Policy Board is being left out of the process. By statute, government agencies are required to come before the Board for approval if the contract is expending more than \$2,000,000 of their budget in a fiscal year. Senator Suazo asked if there was anyway to quantify how much privatization is taking place in government agencies? Rep. Stephens made a motion that a letter be sent to department heads reminding them of the Board's role and the statute requiring them to seek the Board's approval if they are going to privatize any function greater than \$2,000,000. Also included in the letter is a request for information from department heads outlining the level of service they currently have privatized and the level of product that is purchased. The motion was seconded by Senator Suazo and passed unanimously.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, May 11, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DATE DUE
Draft a letter in behalf of the Policy Board to the Legislative Management Committee expressing the Board's desire to have Item #93 be privatized for studied by the Legislature.	Rep. Stephens	Finished
Send a letter to department heads reminding them of the Board's role and the statute requiring them to seek the Board's approval if they are going to privatize any function greater than \$2,000,000. Also included in the letter is a request for information from department heads outlining the level of service they currently have privatized and the level of product that is purchased.	Mr. Richins	

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, May 11, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Douglas Durbano
Fred Hunsaker
Thomas Bielen
Sharlene McFarland
Merwin U. Stewart

Excused:

Steve Price
Senator L. Steven Poulton

Visitor:

Shaun Heaton, Bonneville Asphalt & Repair

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitor to the meeting. The minutes of the previous meeting held April 13, 1999 were approved following a motion by Rep. Goodfellow.

Unfair Government Competition Issue - Shaun Heaton

Mr. Kesler turned the meeting over to Shaun Heaton owner of Bonneville Asphalt & Repair for a brief presentation to articulate issues relative to what he perceives as unfair competition. "UDOT over the past twenty years has reduced to zero the number of cracksealing contracts it lets out to the private industry and has decided to do it all in-house," said Mr. Heaton. According to Mr. Heaton the private crackseal industry has been extremely hurt in Utah because of the continual move among public entities like counties and cities following UDOT's lead and buying their own equipment to do bring cracksealing operations in-house. "We see small cities like Monticello and Washington City buy \$25,000 in cracksealing equipment only to use it for a few days a year," said Mr. Heaton. Orem and Ogden have done careful cost studies and determined that it is not financially feasible for them to make such expenditures and subsequently they continue to contract out cracksealing operations. Mr. Heaton has discussed this issue with David Miles, UDOT Operations. In Feb. he presented his concerns to UDOT Commissioners and asked them for the opportunity to bid against UDOT or for them to release more jobs to the private sector. UDOT Price District did have a bid out for cracksealing. But they canceled it because the funds were transferred to the I-15 project. Mr. Heaton feels that his concerns have fallen on deaf ears.

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Mr. Heaton is also concerned that UCI is being allowed to compete with private businesses to do cracksealing on state facilities for DFCM and even for UDOT. When approaching UCI about their "prisoners for hire" program, they seem to make it so restrictive and unfair by insisting on three months wages in advance. "I understand there is a statute that provides preference for UCI. However, the use of UCI should not be to the detriment of private business," concluded Mr. Heaton.

Senator Sauzo pointed out that the tax payer have another perspective with regard to UCI. "The tax payer expects the best job at the lowest price. They are happy to see the UCI workers out there for a couple reasons; cheaper labor and the debt being payed to society. But we do need to be careful not to cross over into direct competition with the private sector unfairly," said Senator Suazo.

Edit and Finalize Annual Report

In the last meeting a draft copy of the annual report was distributed so members could take a month to digest it and make changes to it. Following a discussion and some editing, a motion was made by Senator Suazo and seconded by Rep. Stephens to approve the language in Mr. Kesler's *Motor Vehicle Licensing and Registration* summary. The second motion was made by Senator Suazo and seconded by Mr. Durbano to approve the language in Mr. Barton's *School Bus Transportation* and *Utah Transit Authority Contracting* summaries. The third motion was made by Rep. Stephens and seconded by Mr. Hunsaker to approve the language in Rep. Stephens' *Privatization of State Adoption Services* summary. And the final motion was made by Mr. Durbano and seconded by Senator Suazo to approve the language in Mr. Durbano's *Fairness in Taxation* summary. All motions passed unanimously. Mr. Bielen expressed concern that although he is approving the language in these summaries they do contain resolutions that he voted against. Mr. Richins indicated that board meetings and minutes would be referenced at the end of each summary and they would also be available on the Internet for public record.

Priorities for Future Meetings

Mr. Richins pointed out that board members need to identify issues that they want to study for the 1999-2000 fiscal year. Prior to the June meeting, Ms. Moulton will email board members requesting them to identify issues that they would like to study. This list of study issues will then be compiled for the June meeting.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, June 8, 1999, at 9:00 a.m. in room 225 of the State Capitol.

TASK	PERSON RESPONSIBLE	DATE DUE
None Assigned		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, June 8, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Steve Price

Excused:

Douglas Durbano
Fred Hunsaker
Merwin U. Stewart
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo
Sharlene McFarland
Thomas Bielen

Visitors:

Corrie Lynne Player, Tahoma Companies, Inc.
Gary Player, Tahoma Companies, Inc.
Cheryl Cope, Tahoma Companies, Inc.
Robin Arnold-Williams, Utah Dept. of Human Services
Larry Becknell, Consulting Engineers Council of Utah
Craig Peterson, Consulting Engineers Council of Utah

Meeting conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Because a quorum was not present, the review of the minutes of the previous meeting held May 11, 1999 was delayed until the next meeting.

Privatization of Adoption Services - Robin Arnold-Williams

Mr. Kesler turned the meeting over to Robin Arnold-Williams, Executive Director of Human Services, for an update on privatization of adoption services since her last visit with the board on January 13, 1999.

Centralized Contract Monitoring

Since the Department of Human Services contracts out nearly 300 million dollars in federal and state funds to more than eighteen hundred contracts throughout the year, the department is embarking on an initiative to clearly define the role of the department, the role of the divisions and implementing a centralized contract monitoring system. A complete summary of Human Services *"Goals for Centralized Contract Monitoring"* is attached.

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Adoption Policy

The adoption policy has been reviewed and revised by the Board of Family and Child Services. It is not without controversy. One provision that is most controversial is verification that all adults residing in the household are legally related to the proposed parent or parents by blood or legal marriage. The focus of this provision is on same sex couples but in reality it would also mean any unrelated adult, such as a live-in nanny, would preclude the family from adoption. Several national organizations as well as state organizations have threatened legal action.

RFP

The department has issued an RFP for the recruitment and assessment of adoptive families for children in the custody of the State. Assessments would take place in Salt Lake, Weber, Davis and Utah Counties and may on occasion take place throughout the rest of the state. Ms. Arnold-Williams indicated that she would keep the board informed of the outcome of this RFP.

Unify the Home Study

Currently there are separate home studies for prospective foster parents and prospective adoptive parents. Since 60 percent of adoptions that occur with kids in the custody of the State are by their foster parents, it doesn't make sense to have the foster parents go through another process. The merging of these two home studies is near completion and will result in making it easier for families that want to make the transition from foster to adoptive to do so without having to go through a whole new process.

Foster Care Foundation

The Foster Care Foundation was endorsed by the 1998 Legislature authorizing the Department of Human Services to privatize and contract out for the recruitment, training and retention of foster families. The Foster Care Foundation has raised more than two million dollars in private funds to provide it with the firm basis to start. The Foundation has opened its doors, has a board of directors, has hired an executive director and staff (many of whom worked with The Department of Human Services). The Foundation will begin a major recruitment training and retention effort for foster families later this summer. Staff from Child and Family Services will be working with the Foundation to do a joint recruitment.

Post Adoption Support Services

In many cases the children that are adopted out of Child and Family Services custody are "special need's children." CFS is currently completing a study with the assistance of the University of Utah to identifying the key post adoption support services needed for such "special need's" adoptions. Ms. Arnold-Williams anticipates releasing an RFP later this summer for provision for post adoptive support services by a private provider rather than to do it all in-house.

"We are moving forward under the strategy of smaller geographic areas, pieces of the adoption program rather than putting the entire program on the street. We are testing to see what kind of interest there is out there and what providers there are. So we will focus on the recruitment of families and the assessment of them and the matching of those with post adoptive support services," concluded Ms. Williams.

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UTAH STATE PRIVATIZATION POLICY BOARD
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Unfair Government Competition Issue - Corrie Lynne Player

Mr. Kesler turned the meeting over to Corrie Lynne Player president of Tahoma Companies, Inc. for a presentation articulating issues relative to what she perceives as unfair competition. A complete summary of Ms. Players testimony is attached. Craig Peterson, Lobbyist for the Consulting Engineers Council of Utah (CECU) joined Ms. Player at the microphone to add his experiences along the same line. His private company along with Ms. Players competed for the same management plan and lost to the same state-funded entity. At the end of Ms. Players presentation, the board asked her and Mr. Peterson to bring a draft policy /rule to the September 14, 1999 meeting. The board indicated that the draft would give them time to review and discuss the issue in order to prepare documents for consideration by the 2000 Legislature.

Review Study Items

Prior to the August meeting, Ms. Moulton will email board members requesting them to prioritize the study issues that have been compiled. The outcome of this prioritization assignment will be presented during the August meeting.

Mr. Kesler closed the meeting with a reminder that the board will not be meeting during July. The next Privatization Policy Board meeting will be held on Tuesday, August 10, 1999, at 9:00 a.m. in room 225 of the State Capitol. (This meeting was canceled.)

TASK	PERSON RESPONSIBLE	DATE DUE
None Assigned		

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, September 14, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Rep. Nora Stephens
Steve Price
Fred Hunsaker

Excused:

Merwin U. Stewart
Sharlene McFarland
Thomas Bielen

Absent:

Douglas Durbano
Rep. Brent Goodfellow
Senator L. Steven Poulton
Senator Pete Suazo

Visitors:

Bob Richards, SL Chamber
Craig Peterson, Consulting Engineers Council of Utah (CECU)
Paul Sampson, USU Auxiliaries

The meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Because a quorum was not present, the review of the minutes of the previous two meetings held May 11, 1999, and June 8, 1999 was delayed until the next meeting.

October 12, 1999 Policy Board Meeting, Bob Richards, Salt Lake Chamber, will bring several people to give presentations articulating issues relative to what they perceived as unfair government competition.

Discussion of Statutes Requiring Contracting Out - Douglas Richins

Mr. Kesler turned the meeting over to Douglas Richins for a discussion of statutes requiring contracting out. Below is a brief summary of each statute. A complete summary of these statutes is attached.

10-7-20 Public Improvements Cities and Towns

If the estimated cost of the proposed improvement exceeds \$25,000, those projects should be let out to the private sector. If the proposed improvements have been bid twice and no satisfactory bids are received, then the cities and/or towns may utilize their own forces.

17A-3-208 County Improvement Districts

No restrictions. Counties do not have the same prohibition that cities and towns have on projects **MINUTES**

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September 14, 1999

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exceeding \$25,000. Instead, they have a broad statutory authority to do projects utilizing their own

forces.

17A-3-308 Municipal Improvement Districts

No restrictions. Municipal Improvement Districts do not have the same prohibition that cities and towns have on projects exceeding \$25,000. Instead, they have a broad statutory authority to do projects utilizing their own forces.

53A-20-101 School Districts

If the project is less than \$80,000 then the school district can make the improvements utilizing its own forces. If the project is greater than \$80,000 then the project needs to be let out to the private sector.

64-1-4 State Institutions

This is an outdated statute that should have been repealed in 1980 when the procurement code was adopted, but apparently was missed.

72-6-107 Road Construction UDOT

If the project is greater than \$40,000, then the project should be let out to the private sector.

72-6-108 and 72-6-109 Road Construction Counties and Municipalities

Any road project that exceeds \$100,000 should be let out to the private sector.

73-10-27 Division of Water Resources

If the project is greater than \$35,000, it then needs to be let out to the private sector. If the project has been bid twice and no satisfactory bids were received, then the Division of Water Resources may utilize their own forces.

Unfair Government Competition Issue - Craig Peterson

At the June meeting Corrie Lynne Player president of Tahoma Companies, Inc. and Craig Peterson representing the Consulting Engineers Council of Utah (CECU) gave a presentation articulating issues relative to what they perceived as unfair government competition from universities relating to proposals on engineering services. At the end of their presentation, the board invited both Ms. Player and Mr. Peterson back to the September meeting asking them to bring some concrete recommendations as to how they believe this issue can be remedied. (Ms. Player sent a letter asking to be excused from this meeting.) Mr. Peterson indicated that he believed that there was an appropriate place for universities to provide engineering services to government agencies. He proposed that the universities not be restricted from providing such services, but that when a public entity goes out through an open competitive process, inviting private sector firms to submit proposals then the universities should be precluded from submitting competing proposals. Mr. Peterson will return before the board in either November or December with a draft of CECU's bill.

Review Study Items

Prior to the September meeting, Ms. Moulton e-mailed board members requesting them to prioritize the study issues that have been compiled. The outcome of this prioritization assignment was presented. The tabulation is attached. Mr. Kesler expressed an interest in studying privatizing administrative aspects of state parks. His interest was peaked when he took his grand kids to the Spruces, which is a Federal

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UTAH STATE PRIVATIZATION POLICY BOARD

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recreation area, and then also to Wasatch State Park and there was quite a contrast in the maintenance of the campgrounds. The Forest Service and BLM have contracted out the upkeep of the Federal camp grounds and consequently, it was very well maintained. The board decided to invite Courtland Nielson to come and address the position of Parks and Recreation relative to privatization.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, October 12, 1999, at 9:00 a.m. in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, October 12, 1999
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Merwin U. Stewart
Rep. Nora Stephens
Senator Pete Suazo
Sharlene McFarland

Excused:

Steve Price

Fred Hunsaker
Thomas Bielen

Absent:

Rep. Brent Goodfellow
Senator L. Steven Poulton

Visitors:

Bob Richards, Salt Lake Chamber of Commerce
Ruth Ann Hamilton, Salt Lake Chamber of Commerce
Alan Heal, SaltLake.Com
Jim Olsen, Utah Food Industry Assoc.
Rep. John Swallow

The meeting was conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous three meetings held May 11, June 8 and September 14, 1999, were approved following a motion by Rep. Stephens.

Government Competition Issue - Bob Richards

Mr. Kesler turned the meeting over to Bob Richards who brought members of the Salt Lake Chamber of Commerce for a presentation articulating issues relative to what they perceive as unfair government competition. Mr. Richards started his presentation by pointing out that small businesses rarely have the resources to take action on government competition issues. Right now there isn't a body that exists that provides a voice for the small business if there is a situation where they are competing against government. Then Mr. Richards turned time over to the other members to briefly articulate their experiences with government competition.

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Alan Heal - SaltLake.Com

Mr. Heal is the creator of SaltLake.Com which is a website designed to be an information resource for small business in Salt Lake City. Mr. Heal became concerned when he read an article in a local news paper that indicated that the State of Utah was going to construct a website that would act as an electronic chamber of commerce. Mr. Heal feels that the creation of this state website is a duplicate and is in direct competition to his current website. Ms. Ruth Ann Hamilton, Salt Lake Chamber of Commerce indicated that her concern is should the government go beyond making a website highlighting what services the government is providing and go over and provide a website for what the private businesses are doing especially when there is already a website like SaltLake.Com ?

Jim Olsen, President of Utah Food Industry Association

The issue Mr. Olsen wanted to highlight to the board was that of a County owned and operated pharmacy in Roosevelt competing with local private businesses. In Roosevelt a county hospital opened a retail pharmacy in direct competition with two small pharmacies that already existed in that community. There was enough business spread between two businesses but by spreading it to three it would not create a profitable situation. Mr. Olsen investigated the situation and found that there is no law, regulations, or mechanism that allows private industry to take a complaint to a board or commission to be able to address this issue of competitive advantage that government sometimes has.

Bob Richards concluded the presentation by pointing out that all the examples the board has heard today revolve

around the issue that a mechanism needs to be in place that allows a small business owner to complain about government competition.

Rep. John Swallow

Rep. Swallow is considering introducing a bill to the Legislature similar to the S.B 49 that Senator Howard Stephenson had tried to get passed last year. Rep. Swallow proposes a bill that would first create a commission. Second this commission would have enforcement ability to enforce current laws. And third the commission would have hearing authority to hear complaints regarding violations of current laws. This commission would still study areas of privatization and would make recommendations to the Legislature. Rep. Stephens recommended to Rep. Swallow that in order for the commission recommendations to make a difference, there needs to be a follow up mechanism in the bill. Rep. Swallow asked the board for volunteers to help him write the bill. Those members that volunteered were: Mr. Barton, Senator Suazo, Mr. Durbano.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, November 14, 1999, at 9:00 a.m. in room 225 of the State Capitol.

**MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, November 9, 1999**

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice-Chair
Senator Pete Suazo
Rep. Nora T. Stephens
Merwin U. Stewart
Sharlene McFarland
William T. Barton
Douglas Richins, Secretary

Excused:

Steve Price
Fred Hunsaker
Rep. Brent H. Goodfellow

Absent:

Thomas Bielen
Senator L. Steven Poulton
Douglas Durbano

Guests:

Bob Richards, Salt Lake Chamber of Commerce
Courtland Nelson, Division of Parks & Recreation

Steve Roberts, Division of Parks & Recreation
Stephen Ogilvie, Division of Parks & Recreation
Faye Lincoln, University Hospital

Meeting conducted by Jim Kesler, Chairman. Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held October 12, 1999 were approved, following a motion by Sharlene McFarland which was seconded by Senator Suazo.

State Parks and Recreation Privatization Efforts

Courtland Nelson, director of the Utah Division of Parks & Recreation presented a report on the status of privatization efforts at State Parks. State Parks has had successes and failures in privatization. State Parks utilizes the private sector in three main areas. **Private Concessions** (about 30 of these) are used successfully at state parks for such areas as food service, bookstores, equipment rental, etc. **Service Contracts** (about 30 of these) are utilized to privatize areas from refuse removal, janitorial services to the entire management of the Rails to Trails State Park and This is the Place State Park. **Special Use Permits** are awarded to create one on one relationships to provide some kind of service such as high performance athletic competitions, special interest needs, international television contracts, etc. The Parks Board consists of nine members appointed by the Governor, by judicial district plus one at large. As a general rule, they supervise the policies and procedures of state parks and give recommendations on overall objectives they want to achieve. The board does not get involved in the negotiations of specific contracts. The legislature has basically mandated that the State Parks be self funding so they try to be very much in tune to the market place and the needs of the customers. Mr. Nelson discussed difficult issues that surround "heritage parks" which historically do not break even, but are still important to develop and maintain. He discussed the partnership between the state and the This is the Place Foundation that was developed to operate This is the Place State Park. In response to a question from the board about the State of Oregon's fine park system, Mr. Nelson explained the history behind the Oregon Parks. Some of the Oregon Parks rent out yurts to visitors. Yurts are hexagonal sided building that go back to a Native American structure. They have wooden frames and then have canvas covers and in the middle of them is a stove. They have a maintenance life of about 15 years before you have to replace the canvas. State Parks has some interest in getting into that type of business, however, they will be in competition against private camp ground owners. Mr. Nelson asked the if the board would encourage State Parks to move ahead in private investment in cabins or yurts. The board responded yes. Mr. Nelson also discussed the partnership between the Divisions of Parks & Recreation and the Division of Wildlife Resources and a private concessionaire to operate the Hardware Ranch in Cache County. There was questions and discussion about the State Parks role in operating golf courses. Currently State Parks operates golf courses at Wasatch Mountain State Park in Midway, Palisades State Park in Sanpete County, at Jordan River State Park in the Rose Park area of Salt Lake City and a golf course in Green River. Mr. Nelson said that golf courses as a general rule, loose money. Wasatch Mountain's golf course however does well. The profits go back to the golf course and the rest of the park so they can provide equipment and keep the park in good shape. The money does not go to the private sector, but it does offset the cost of any general fund dollars. Mr. Nelson indicated that it is a misconception that profits from Wasatch Mountain State Park pays for other parks. Mr. Nelson responded to specific questions from the board about past and future privatization efforts in specific areas and parks including Jordan River State Park, the Great Salt Lake and Antelope Island. The board thanked Mr. Nelson for his information.

Proposed Legislation Affecting the Board

Bob Richards provided a brief update on the working group working with Representative Swallow on the legislation that the representative discussed at the last board meeting. It was agreed to place this item on the agenda for the December board meeting. Representative Stephens indicated that she was also

preparing legislation that would affect the privatization policy board statute. She expressed a willingness to present the proposed legislation at the December board meeting as well.

Other Items

It is suggested that submitting the annual report required by statute in the fall would be better so that the legislature has time to consider the information before they meet in general session. Mr. Barton raised a concern that Utah Correctional Industries is selling signs and printing to private entities in unfair competition with the private sector.

The agenda for the December board meeting was discussed. Mr. Richins was asked to invite representatives from the Utah Transit Authority to discuss property development plans and potential issues with competing with the private sector. If the UTA representatives are not available in December, they could be invited to the January meeting and representatives from Utah Correctional Industries could be invited to provide an overview of their program. It was agreed to start the December 14, 1999 meeting at 8:30 a.m. to accommodate legislative members who have other commitments later that morning.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
Tuesday, December 14, 1999

Attendees:

Jim Kesler, Chairman
Jay B. Dansie, Vice-Chair
Steve Price
Rep. Nora T. Stephens
Merwin U. Stewart
William T. Barton
Douglas Durbano
Senator Pete Suazo
Douglas Richins, Secretary

Excused:

Sharlene McFarland
Fred Hunsaker
Rep. Brent H. Goodfellow

Absent:

Thomas Bielen
Senator Steven Poulton

Visitors:

Bob Richards, Chamber of Commerce, Small Business Leg. Task Force
Lilian Anthony, Utah Correctional Industries
Richard Clasby, Utah Correctional Industries
Jesse Gallegos, Utah Department of Correction Admin.
Jim Clark, Utah Transit Authority
Kathryn Pett, Utah Transit Authority
Richard Swensen, Utah Transit Authority
Ken Montague, Utah Transit Authority

The meeting conducted by Jim Kesler, chairman. Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held November 9, 1999 were approved, following a motion by Mr. Barton.

Utah Transit Authority

Kathryn Pett, Richard Swenson and Jim Clark representing UTA met with the board to explain the background and UTA's intent regarding real estate development and specifically the UTA board's intent in adopting "Resolution No. 354 entitled *Resolution Adopting Policy for Real Property Ownership, Development and Disposition*". The Privatization Policy Board was interested in learning whether UTA intends to act as a real property developer possibly creating unfair competition with the private sector.

Background

Operational funding for UTA is provided by sales tax, state funding is not involved. 80% of capitol funds come from the federal government which are subject to FTA policy. FTA policy allows funds to be used for a light rail system and allows to UTA to develop the property that encourages additional ridership. UTA factors that influence operation: 1) UTA does not have power of eminent domain. 2) Lack of operating funds and 3) UTA responds to requests from local government for assistance to shape the community.

UTA's Resolution

Ms. Pett discussed a new policy on Transit Joint Development which was issued by the Federal Transit Administration of the U.S. Dept. of Transportation. (A copy of this policy was distributed, and is attached to these minutes). This new policy prompted the UTA resolution No. 354. UTA makes opportunities so the private sector can develop properties thru federal funding. The resolution, adopted 6 months ago, allows the board to consider on a case by case basis the development of property. The developer is selected by a RFP process unless there is a justification of a sole selection. Mr. Barton pointed out that item D in the resolution states that UTA can be the sole developer. Mr. Price questioned how developer partners would be selected. UTA responded that unless it would constitute a sole source, the selection would be made via a competitive Request for Proposal process. Mr. Kesler pointed out that there is concern by the private sector about UTA entrepreneurship that has not been explained to the public. Mr. Clark, president of the board, stated that UTA does not have the intent of going into competition with private business. They do not have enough revenue. They will look at every case opportunity on a case by case basis. UTA's is interested to capturing revenue if it available and they would be remiss if they didn't. He thinks the resolution and guidelines adopted are fair, and the board can change if it's is not fair. But in May, they knew they were going to have property development with the light rail running. UTA knew there was going to be a lot of opportunities available and wanted to have a policy in place so they were prepared. Mr. Price asked Mr. Clark to reaffirm that any development efforts would be subject to competition, which Mr. Clark affirmed. Mr. Kesler pointed out that UTA could have communicated their intent regarding this issue to the public more clearly.

Utah Correctional Industries

At the boards request, Richard Clasby, the director of the Utah Correctional Industries presented a report on the purpose and activities of the Utah Correctional Industries, which is a division of the Utah Department of Corrections. He provided an excellent handout which summarized his fine report. A copy of that report is attached to the minutes. In response to concerns about potential competition with private industry, Mr. Clasby indicated that with the exception of their "joint private ventures", they only sell items to government entities. Mr. Barton questioned Mr. Clasby about whether they sell signs to the private sector. Mr. Clasby responded that while they have the legal ability to do that, their internal policy is to not sell signs to private entities or individuals. Occasionally mistakes are make and he is committed to correct those errors. Jesse Gallegos representing Pete Haun, the Director of the Department of Corrections affirmed their support for the goals and operations of UCI.

Update on Proposed Legislation Affecting the Privatization Policy Board

Rep. Swallow did not attend the meeting. However, Bob Richards representing the Salt Lake Chamber of Commerce distributed to the board a copy of a letter that the Chamber's Small Business Legislative Task Force had sent to Representative Swallow with suggestions. A copy of that letter is included with the minutes.

Next Meeting

The agenda for the January board meeting was discussed. It was agreed that next month the board would discuss UTA again. Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, January 11, 2000, at 9:00 a.m. in room 225 of the State Capitol. (This time was subsequently changed to (9:30 a.m.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
January 13, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Douglas Richins, Secretary
Thomas Bielen
William Barton
Douglas Durbano

Rep. Nora Stephens
Rep. Brent Goodfellow
Jay B. Dansie
Senator Pete Suazo
Merwin U. Stewart

Visitors:

Susie Adams, People Helping People
Lee D. Eaton, Mountain States Analytical
David Salisbury, The Sutherland Institute
Layne Meacham

Excused:

Melanie Hall
Fred Hunsaker
Senator Poulton
Steve Price

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. Mr Kesler then invited board members Douglas Durbano, Senator Pete Suazo and Merwin U. Stewart to introduce themselves and tell a little bit about their background so the other board members could get to know them. Mr. Kesler then provided an opportunity for the visitors to introduce themselves. The minutes of the previous meeting held December 17, 1997 were approved as presented following a motion from Mr. Dansie.

Mr. Kesler then turned the meeting over to David Salisbury of The Sutherland Institute who gave a presentation on privatization. The Sutherland Institute's mission is to advance solutions to public policy issues in Utah, especially solutions that rely on the voluntary private sector as opposed to always looking to government to solving problems. The Sutherland Institute sees privatization as an integral part of an effective and efficient government.

Mr. Kesler then turned the meeting over to the board members for a review of legislation affecting privatization. Representative Stephens indicated that she was not personally aware of any legislation that would affect privatization. Senator Suazo pointed out that the effects might be felt more through the appropriation process rather than by legislation.

Representative Goodfellow indicated that he would like the board to review some areas that have already been privatized to find out if in fact they are actually working. He mentioned the Utah State Fair, Workers Compensation, 800 MHZ and Construction of Buildings (design build). Mr. Richins suggested a presentation from the Salt Lake School Board on their experiences with the privatization of school busing. Mr. Durbano suggested a review of the Utah State Bar and Senator Suazo suggested

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UTAH STATE PRIVATIZATION POLICY BOARD
January 13, 1998
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a review of Youth Corrections. It was decided by the members that at least two of these suggested organizations

should be invited to the next board meeting to discuss their experiences, both pros and cons, of being privatized.

Mr. Kesler then turned the balance of the meeting over to the board to discuss potential privatization issues. The board members came up with eight potential privatization issues which are: health services, transit services, prisons (DUI offenders), foster care and adoption services, construction of buildings (design build), education (any aspect), toll roads and finish privatization of emissions, inspection and registration of the car.

Mr. Kesler than assigned Mr. Richins and Ms. Moulton the task of sending out a survey to the board members so they could rank the potential privatization issues.

Mr. Durbano asked that a discussion of the privatization guiding principles be placed on the agenda for the next Privatization Policy Board meeting. Mr. Richins agreed that it is important for this board to discuss those issue and to either refine them or embrace them.

At the conclusion of the meeting, Mr. Kesler asked the members if they would like to set a schedule for the next several meetings. Members decided to schedule a policy board meeting on the second Tuesday of every month through June at 9:00 am. The location to be announced prior to each meeting. The next board meeting was set for Tuesday, March 10, 1998 at 9:00 am. (Subsequently the next meeting was canceled.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
April 14, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Jay B. Dansie	Merwin U. Stewart
William Barton	Thomas Bielen
Senator Pete Suazo	

Visitors:

Donna Dahl, Utah State Fairpark
Kay Pope, Salt Lake City School District
Lee D. Eaton, Mountain States Analytical
Charles D. Brokopp, Utah Department of Health
Wayne Pierce, Utah Department of Health
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

Rep. Brent Goodfellow
Melanie Hall
Fred Hunsaker
Senator Poulton
Steve Price

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held January 13, 1998 were approved, with one correction, following a motion from Mr. Barton.

Donna Dahl - Utah State Fairpark

Mr. Kesler then turned the meeting over to Donna Dahl who gave a presentation on the Utah State Fairpark. Ms. Dahl indicated that the first mandate of the Fairpark is to provide the State Fair for the citizens of Utah.

About five years ago the Legislature put together a task force composed of legislators and business men. They visited several fairs across the country. One of them was Colorado State Fair, and another was New Mexico State Fair. Subsequently, the Utah State Fairpark was patterned after these examples and was made into a quasi state agency. It is interesting to note that both Colorado and New Mexico State Fairs have since gone bankrupt and are now under control of their State Legislature.

Ms. Dahl indicated that privatization has been a challenge for the Fairpark. They have to be **MINUTES**

UTAH STATE PRIVATIZATION POLICY BOARD

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innovative looking for private enterprise to come in to help generate revenue. Currently, an attraction they are looking at is an aquarium and botanical garden from a company called AMS Planning and Research in Petaluma,

California. Another enhancement to the Fairpark is the prospects of the east-west light rail. If the light rail had a stop at the Fairpark, they could do a park and ride for downtown Salt Lake City and/or the Salt Lake International Airport. It would also provide additional walk through traffic for the aquarium and botanical garden.

USA Volleyball has indicated that they would like to build a volleyball facility on the Fairpark, however, they would use it for only nine months out of the year and they want the Fairpark to split the building costs. Unfortunately, the Fairpark would not recoup any money since they cannot charge the athletes for parking when they come to practice. They can only charge for major volleyball tournaments. Another idea suggested is to build a BMX bike ring and skate boarding area on the grounds. The Fairpark has also entertained the idea of putting a hotel on the White Ball Park.

The Fairpark has a unique location. It is a very valuable piece of State property that needs to be used at its highest optimal level, yet still maintain the integrity of the State Fair. On April 21, 1998 there will be a meeting held of private business people and planners from the state. They will be brainstorming to see if they can come up with a master business plan that looks at the types of facilities that would work at the Fairpark and the revenue that they would generate. Mr. Barton asked Ms. Dahl if she would notify the board of the results of the business meeting being held on April 21st.

Kay Pope - Salt Lake City School District

Mr. Kesler then turned the meeting over to Kay Pope to give a privatization status briefing on school busing for Salt Lake City School District (ATTACHMENT A). Their budget for running the bus program was \$1,714,899. Tran Spec's bid was \$1,218,735. There were two other private bidders, however their bids were more expensive than the cost for the district to do the busing itself. In addition, with Tran Spec purchasing the district's fleet it would infuse \$1,086,816 of capital into the Salt Lake School system. If you project that out over a five year period, Salt Lake School District would be looking at a savings close to \$3,832,643. Therefore, it appeared to be a good idea to privatize the school busing program.

Tran Spec at this time was successfully running the transportation services for the Schools for the Deaf & Blind. The problem Tran Spec ran into with Salt Lake City is that a school district is much more sophisticated and there is much more involved than running the transportation services for the Schools for the Deaf & Blind. The routes are shorter and much more complex and the timing is much tighter. Nevertheless, the main reason Tran Spec failed is because their local managers didn't seem to have a grasp on what it would take to run the program. To begin with Tran Spec reorganized all the established bus routes. Subsequently, when school started they were unable to pinpoint exactly where a student would get on a bus and just how many children would be riding each bus. Consequently, it was a real hit and miss situation which poisoned the public against them almost immediately. Another critical factor in the failure was that the bus drivers did not support the privatization effort, even after they were hired by Tran Spec.

Salt Lake is not the only district that has tried privatizing school busing in Utah. San Juan, Logan and **MINUTES UTAH STATE PRIVATIZATION POLICY BOARD**

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part of Ogden have successfully privatized their school busing programs. Based upon their experience, Salt Lake School District didn't see any reason not to privatize. "I think it was just our particular situation, our proximity to television stations and Tran Spec's local management unwilling to make changes that were clearly needed," Kay Pope summarized.

In April, Tran Spec came to Salt Lake School District and indicated to them that they were not making a profit and could no longer render their service unless they could get more money. At that time the Salt Lake School District felt it was in their best interest to dissolve the relationship and take the busing program back. Since then, Salt Lake School District has regained public support and bus drivers support.

Lee Eaton - Mountain States Analytical

Mr. Kesler then turned time over to Douglas Later of Mountain States Analytical for a presentation on environmental testing laboratories. Lee Eaton, Vice President of Mountain States Analytical, notified the board at this time that Mr. Later was unable to attend the meeting due to a family emergency and that he [Mr. Eaton] would be stepping in for Mr. Later and make their presentation.

Mr. Eaton's purpose in coming before the board was to represent the interests of the Utah Independent Laboratory Association (ATTACHMENT B). They analyze soil and water samples by approved analytical chemistry methods to help clients achieve compliance with environmental regulations. Their industry is small in Utah and last year did an estimated volume of \$15,000,000 in revenue.

Mr. Eaton feels that independent labs are faced with government competition from several sources within the State. These include the State itself, Counties, Municipalities and Higher Education. This competition is especially burdensome on their industry because they are so small. For example, last year Mountain States Analytical did about \$3,000,000 of work. They paid about \$300,000 in state and local taxes including income tax, sales tax, property taxes and licenses and fees. In addition, their revenue was reduced because of government subsidized competition. Mr. Eaton argues that other industries do not have to compete with the government so they don't pay this hidden tax. Mr. Eaton estimates this tax cost the independent lab industry within Utah about \$6,000,000 last year. Therefore, Mr. Eaton argues that when society employs people in government to perform commercial activities, we are really increasing the burden of government on the economy. Government should regulate the work but not do the work. Case in point, waste disposal. The EPA requires Municipalities to test their waste when they put it in a municipal land fill. They have to test their ground water and soil contamination for metals that are dangerous to the public such as lead. Some of this testing is done by private labs and some is done by the State. Mr. Eaton would prefer that all the testing should go to private industry. Mr. Eaton continued saying, "we are properly certified by the State Laboratory to independently test these things, but it is a conflict of interest and self defeating for the State to certify us and also compete with us."

In closing, Mr. Eaton asked the board to advise state government, county government, municipal government and higher education to cease competing with them and to out-source their environmental test work to the private sector. He also encouraged the Board to introduce legislation that will prohibit the government from engaging in commercial activities. This legislation he feels will

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eliminate current conflicts of interest, reduce the burden of government on the citizens of Utah and improve Utah's free market economy thus contributing in every way to a wealthier society.

Charles Brokopp - Div. of Epidemiology and Laboratory Services

Mr. Kesler then turned time over to Charles Brokopp, the Director, Department of Health, Division of Epidemiology and Laboratory Services, to briefly present the other side of the argument.

The Utah code clearly describes the duties of the Utah Department of Health in great detail. Some of those duties include the establishment of laboratory services to support public health programs and medical services here in the state. It also spells out that the Department of Health is to establish and enforce standards for laboratory services that are provided by any laboratory in the state when the purpose of the service is to protect the public health. The code also indicates that the Department of Health is to establish and to operate programs necessary for the promotion and protection of the public health. One of the core functions of public health in every state in the nation is to provide essential laboratory services to support those programs. Every state has a public health lab. These labs provide some form of clinical testing to support publicly funded entities and to provide laboratory services for regulatory agencies of the state government.

The public health lab in Utah has a long tradition of meeting the needs of the citizens of the state. The State

laboratory receives many phone calls for lead testing. These requests are referred to an environmental testing laboratory near the site to be tested.

Regarding landfill monitoring, the State Lab does not do landfill monitoring testing. However, one exception to that rule would be if a county government is having some type of a problem. Generally problems will surface when samples are taken and are sent to a private laboratory for testing and another sample is sent to another laboratory and the results are inconsistent. Mr. Brokopp indicated that the State then makes their lab services available to help sort out the inconsistencies. Mr. Brokopp also indicated that the State Lab has never in any way actively gone out and promoted their services to anyone other than the state, federal or local entities that are supported by tax revenues. The mission for the public health laboratory here in Utah is to provide essential laboratory services to publicly funded entities.

Privatization Issues Survey

Mr. Kesler then turned time over to Mr. Richins, to give the results of the potential privatization issues survey (ATTACHMENT C). Mr. Kesler recommended that the Board pick low profile, doable projects to showcase what privatization can do for the people of Utah. Mr. Kesler then suggested forming subcommittees to gather information for the Privatization Policy Board. Mr. Kesler asked Mr. Barton to chair a subcommittee to study the transit services issue. Mr. Barton accepted and indicated he would contact Senator Poulton and see if he would like to participate on this transit services subcommittee. Mr. Kesler then volunteered to chair the subcommittee studying vehicle emissions and registration. Mr. Dansie volunteered to be on Mr. Kesler's subcommittee. Representative Stephens indicated that she would like to see a subcommittee do a study on private prisons for DUI offenders. Mr. Durbano volunteered to chair this subcommittee and Representative Stephens and Senator Suazo volunteered to participate on this subcommittee.

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Mr. Richins then briefly discussed per diem and mileage reimbursement for board members attending the policy board meetings.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, May 12. (Location to be announced at a later date.)

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
May 12, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Fred Hunsaker	Merwin U. Stewart
Thomas Bielen	Rep. Brent Goodfellow
Senator Pete Suazo	

Visitors:

Kevin Jacobs, Salt Lake County Assessor
Lee Gardner, Salt Lake County Assessor
Viola Bodrero, Utah State Tax Commission
Rod Marrelli, Utah State Tax Commission
Bart Blackstock, Dept. of Public Safety
Dave Beach, Dept. of Public Safety
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

William Barton
Jay B. Dansie
Steve Price

Not Present:

Melanie Hall
Senator Poulton

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held April 14, 1998 were approved following a motion from Rep. Stephens.

MOTOR VEHICLE LICENSING and REGISTRATION

Mr. Kesler invited Lee Gardner and Kevin Jacobs from Salt Lake County and Viola Bodrero and Rod Marrelli from the State Tax Commission to address the Board regarding motor vehicle licensing and registration.

Mr. Gardner said that just the day before Salt Lake County had elected to give the motor vehicle functions back to the state because the Legislature didn't allocate enough funds to cover costs that Salt Lake County incurs.

When Salt Lake County took over the motor vehicle licensing and registration they wanted to implement programs that would make it easier for the public to license and register their cars. Subsequently, three types of outsourcing or third party registration programs were implemented.

- 1) 18 different I/M stations in Salt Lake County were authorized to issue motor vehicle renewals. (The individual incurs an additional \$10.00 fee if this method is utilized.)
2. New car dealerships were authorized to supply license plates to their customers immediately upon the purchase of a new car.
- 3) The Independent Auto Dealers Association were authorized to handle plate and title functions.

Next a discussion regarding renewing registration by mail ensued. Renewal by mail is used only by 30-35% of people. The percentage is less outside of the Wasatch Front. Mr. Marrelli feels that to make the mail program

successful there needs to be an incentive/disincentive for people. For example, give a \$5.00 discount if an individual renews by mail or charge a \$5.00 fee if they do not.

Mr. Jacob visited Arizona last year and was impressed with the program they have implemented there. Essentially, Arizona has joined in a partnership with third party vendors to provide DMV services. This partnership decreases time spent in DMV offices, uses free market to provide customers with more choices, increases service availability, and the service is at no cost to the State.

Senator Suazo requested that the State Tax Commission recommend some changes that might be pursued by the Legislature and submit it to this committee so they can include in its annual report to the Governor's Office.

In conclusion, Mr. Jacobs stated that privatization is the natural direction to go. He believes it can work, that this is the time to do it and the citizens of Utah are ready for it. He encouraged the committee to do whatever it can to promote privatization in this area.

DRIVER LICENSING

Mr. Kesler feels that the same problems exist with driver licensing as it does with the licensing and registration of motor vehicles. Therefore, Mr. Kesler invited David Beach

and Bart Blackstock to address the board. Mr. Beach pointed out that they operate in a different environment than the State Tax Commission. Since 1951 the responsibility for driver licensing has fallen under the Department of Public Safety since this function is more law enforcing rather than a revenue source. However, they too have been implementing outsourcing in various areas:

- 1) Since 1990 much of the written and road testing are taking place in the public high schools.
2. The majority of the 40 thousand new 16 year old drivers each year go through driver education classes taught through the public high schools.
3. There are 22 commercial driving schools in the state that teach roughly 5,000 people yearly to drive. These schools are not allowed to do any written or road testing at this point due to the liability issue.
4. The Commercial Licensing program came into existence in 1989 from a federal initiative which established a separate tier of licensing that is referred to as CDL or Commercial Driver Licensing. Utah currently has 1.3 million drivers and between 65-70,000 of them are CDL holders. In the CDL program, the state has third party examiners, such as England Trucking Company, that conduct a majority of the testing.
5. The insurance verification database has been outsourced to a third party vendor.

Mr. Kesler invited Mr. Beach and Mr. Blackstock to come back in August to give a comparison of the way Arizona driver licensing operates in a mostly privatized fashion versus how Utah operates.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, June 9th at 9:00 am in Legislative Room 225.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
June 9, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Douglas Durbano
Merwin U. Stewart	Fred Hunsaker
William Barton	Thomas Bielen
Rep. Brent Goodfellow	Steve Price
Senator L. Steven Poulton	

Visitors:

Senator Howard A. Stephenson
Ed Radke, Coalition for Accountable Government
Drew Chamberlain, Coalition for Accountable Government
F. Kenneth Olafson, Coalition for Accountable Government
Bernie R. Diamond, Management & Training Corp
Michael Murphy, Management & Training Corp
David Salisbury, The Sutherland Institute
Robert Lockyer, Small Business Leg. Task Force

Excused:

Jay B. Dansie
Senator Pete Suazo

Conducted by Jim Kesler, Chairman

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held May 12, 1998 were approved following a motion by Representative Goodfellow.

Senator Howard A. Stephenson - S.B. 180

Mr. Kesler then turned the meeting over to Senator Howard A. Stephenson who gave a brief presentation on Senate Bill 180. The purpose for this legislation was to create a Privatization Enterprise Review Commission and to statutorily prohibit certain types of government competition with the private sector. This Private Enterprise Review

Commission would have the legal authority to decide the legitimacy of a complaint and then to hear that complaint and would also have the ability to issue an order that is enforceable in the courts. The final version of the bill established two areas,

environmental testing services and public pharmacies, that would not allow government to compete with the private sector. Senator Stephenson intends to sponsor similar legislation in the coming year.

Representative Goodfellow stated that he would like to see what this current board could accomplish rather than introduce legislation to implement the proposed Privatization Enterprise Review Commission.

Mr. Barton expressed his approval of this bill stating that it sets forth the mechanics to look at unfair government competition issues. Mr. Barton then made a motion that the Privatization Policy Board should go on record as endorsing the "*general concept*" of S.B. 180 and that the final bill should be brought before the Board subject to a final review before receiving full endorsement. Mr. Durban o seconded the motion. The motion was approved with three opposing votes by Mr. Bielen, Mr. Hunsaker and Representative Goodfellow.

Douglas Durban o - Privatization of Prison Facilities

Because of time constraints Mr. Durban o's subcommittee presentation was postponed until Tuesday, August 11, 1998.

Bill Barton - Transit Services

Time was then turned to Mr. Barton for his subcommittee's presentation on Transit Services. Mr. Barton introduced Ken Olafson the past chairman for the Coalition for Accountable Government to discuss his study "A Case for Competitive Contracting of Public Transit Services." Mr. Olafson basic points are 1) operating costs per mile are escalating on a yearly basis; 2) costs per passenger per mile are escalating on a yearly basis; 3) income per passenger is minuscule in rate of increase per past year; and 4) the total passenger per mile is decreasing. Therefore, according to Mr. Olafson present day bottom-line profits attributed to UTA appear to exist only as a result of taxpayer funded subsidies. He recommends other avenues such as competitive contracting which can result in improved services with less subsidies by local and national taxpayers. Case in point, Miami, Florida has approximately 400 private passenger vans carrying 50,000 passengers a day without taxpayer subsidy. UTA uses approximately 280 (40ft.) buses to carry the same number of passengers in Salt Lake County with at least a \$23 million annual subsidy. Competitive contracting results in greatly improved public transit cost effectiveness because a competitive environment produces products for lower costs than a non-competitive environment. Competition is better than a monopoly. "The purpose for competitive contracting the supply of the UTA's services is not to question the integrity or impugn the services supplied by UTA. Instead, the purpose is to install a "market mechanism" into a monopolistic environment," stated Mr. Olafson.

Mr. Kesler closed the meeting with a reminder that there would be no Privatization Board meeting for the month of July. Meetings would resume August 11, 1998 at 9:00 a.m in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
August 11, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Fred Hunsaker
William Barton	Jay B. Dansie
Senator Pete Suazo	Rep. Brent Goodfellow

Visitors:

Blair Evans, Dept. of Corrections
Dave Beach, Dept. of Public Safety
Skip Nielsen, Dept. of Public Safety
Bart Blackstock, Dept. of Public Safety
Ferris Groll, Dept. of Public Safety
Jimmie Stewart, Management & Training Corp.
Bernie R. Diamond, Management & Training Corp.
David Salisbury, The Sutherland Institute

Excused:

Douglas Durbano
Senator L. Steven Poulton
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held June 9, 1998 were approved following a motion by Mr. Stewart.

DRIVER LICENSING

Mr. Kesler then turned the meeting over to Mr. Beach, Mr. Blackstock and Mr. Nielsen to give a brief presentation on the report compiled by Mr. Nielsen entitled, *Privatization and Partnership initiatives in Arizona and Oregon Driver Licensing Agencies*. A copy of Mr. Nielsen's report is attached.

Representative Goodfellow made a motion that the Privatization Policy Board go on record as supporting the concept of, or at least exploring the possibility of preparing legislation to consolidate driver licensing and vehicle registration functions. The motion was seconded by Mr. Barton and was approved unanimously.

Mr. Barton then requested that Mr. Richins and Mr. Dansie research and identify any statutory or legal impediments that might negatively impact privatization of these areas including any statutes that may need to be amended. The results of this research would then give the Privatization Policy Board direction towards drafting a resolution to get this process moving.

MANAGEMENT & TRAINING CORPORATION

Mr. Kesler then turned the balance of the meeting over to Bernie R. Diamond, Sr. Vice President of Management & Training Corporation (MTC) of Ogden and Jimmy Stewart, warden of the Promontory facility in Draper, Utah operated by MTC. MTC was founded in December of 1980 by acquiring the business of the Education and Training Division of the Thiokol Corporation. The correction facility management has grown to become a major division of MTC. MTC operates a 424 bed correctional facility for California; a 450 bed substance abuse treatment facility for Arizona; a 1,700 bed state jail for Texas; a 48 bed juvenile facility for Garza County; and a 400 bed pre-release and return-to-custody facility for Utah.

In July 1994, Utah awarded MTC with a contract to build and operate a 400 bed pre-release, probation and parole violator center in Draper. The Promontory facility provides short-term programming in a secure setting for inmates who are serving the final 90 days of their sentence. Mr. Stewart pointed out that Promontory gives the inmates educational programs including substance abuse treatment, literacy and life skills courses, family counseling, individual and group therapy, employment searches and job skills assessment.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, September 8 at 9:00 am in Legislative Room 416.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
September 8, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Fred Hunsaker
William Barton	Jay B. Dansie
Steve Price	Rep. Brent Goodfellow

Visitors:

Bob Ward, Standard Examiner
Michael Packard, Concerned Citizen

Excused:

Douglas Durbano
Senator Pete Suazo
Senator L. Steven Poulton

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held August 11, 1998 were approved following a motion by Mr. Stewart.

RESOLUTIONS

Mr. Kesler then turned the meeting over to Mr. Barton to review his two busing resolutions.

Mr. Barton distributed a resolution regarding UTA Bus Contracting to the Board.

Rep. Goodfellow pointed out that this resolution was too premature and that UTA should have an opportunity to come before the Board and present a response to Mr. Olafson, Coalition for Accountable Government, June 9, 1998 presentation. Mr. Barton agreed and withdrew his motion. Mr. Richins was then assigned to contact John English of UTA and invite him to the November meeting giving him an opportunity to respond to Mr. Olafson's presentation.

Resolution - Private Bus Contracting for Utah School Districts (Attachment A)

A motion was made by Mr. Barton and seconded by Rep. Stephens. This resolution passed with one dissenting vote by Mr. Bielen. Rep. Stephens asked that this resolution be sent to the State Office of Education and recommend that they distribute it to the school districts.

Mr. Richins then passed out a letter (Attachment B) from Kay Pope, Director of Purchasing for Salt Lake City School District, dealing with an issue that the Board needs to be aware of that may negatively impact the privatization of school busing. Salt Lake City School District has been in a litigation proceeding over the exemption of fuel tax for Tran Spec's use of fuel for the transportation of the District's children. The Tax Commission prevailed over the District on this issue. The School District feels that this decision places a significant impediment in the path of future privatization efforts.

STATUARY IMPEDIMENTS RESEARCH UPDATE

At the last board meeting Mr. Richins and Mr. Dansie were asked to investigate whether there were any statutory impediments to greater privatization in the areas of motor vehicle registration and driver license renewals. In response, Mr. Richins and Mr. Dansie explained how they sat down with the databases of all the state codes and rules and searched the sections that would apply to those particular agencies. Once having found these sections they researched to see if they could identify any statutory impediments. Their analysis concluded that there were none. However, they felt it best to write to Rod Marrelli at the State Tax Commission and also to Dave Beach at the Driver License Division and asked them if they would also review their statutes and identify any impediments they may have missed. Both Mr. Marrelli and Mr. Beach were invited to present their findings before the Board, or if more convenient, submit their findings in writing. These findings may be available at the next meeting.

RECOMMENDATIONS FOR ANNUAL REPORT

Mr. Kesler reminded the Board that in December he would like the reports from each committee to be ready to submit to the Governor. He recommended that each committee make their reports short and concise.

OTHER BUSINESS

Mr. Kesler then reviewed the presentations the Board has heard so far this year and asked if anyone would be opposed to hearing one more presentation dealing with either education or adoption services. Rep. Stephens said she would like to see the Board invite the State Adoption Advisory Council to come and give a report on their privatization efforts during the November privatization meeting.

Rep. Stephens then mentioned she had two items she wanted to point out. First, if the Board plans to study and possibly create a piece of legislation regarding Byron Fisher's recommendation for getting the Legislature to provide tax exemption for all privatization contracts, then the Board should not wait much longer. Second, by statute, when a state agency has a proposal to privatize part of the services that they render, they are required to present their plan to the Privatization Policy Board prior to implementation. Board members decided that a notification letter should go out to all agencies outlining this requirement. However, before sending out this letter, Rep. Stephens asked that all Board members study the current statute and Senator Howard Stephenson's proposed bill and think about ways to make this Board a more effective resource.

Michael Packard, Sandy City Engineer, asked permission to come before the Board. He testified about the challenges the Board would have in recommending privatization of UTA because of the dollars flowing from Washington D.C. rewarding an inefficient system.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, October 13 at 9:00 am in room 225 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
October 13, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman	Fred Hunsaker
Jay B. Dansie, Vice Chair	Rep. Nora Stephens
Douglas Richins, Secretary	Thomas Bielen
Merwin U. Stewart	Senator Pete Suazo
William Barton	Senator L. Steven Poulton

Visitors:

H.L. (Pete) Haun, Utah Dept. of Corrections
Gary Dalton, Utah Division of Youth Corrections, Dept. of Human Services
Bob Ward, Standard Examiner
David Salisbury, The Sutherland Institute

Excused:

Douglas Durbano
Steve Price
Rep. Brent Goodfellow

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held September 8, 1998 were approved following a motion by Mr. Hunsaker.

UTAH DEPARTMENT of CORRECTIONS

Mr. Kesler then turned the meeting over to H.L. (Pete) Haun, Executive Director of the Utah Department of Corrections to give a presentation on his Departments' efforts with privatization. "Corrections has been growing dramatically over the last 10 years. In an attempt to address this growth, Corrections has pursued a number of options, utilizing other public sector and private sector entities to provide needed services and housing (Attachment A). However, because of the nature of the offender population, some of this growth must remain under direct control of the state. Our plan for dealing with growth in the next five years combines increasing state operated services while also adding to our contracts with private and public organizations," stated Mr. Haun. Corrections has a three pronged approach: 1) Utilizing privatized correctional facilities; 2) Contracting with county jails; and 3) Increasing some state facilities.

UTAH DIVISION of YOUTH CORRECTIONS

Once Mr. Haun was finished with his presentation, Mr. Kesler turned the meeting over to

Gary Dalton, Director of the Utah Division of Youth Corrections to give his presentation on Youth Corrections' efforts with privatization. "Over the last five years Youth Corrections has experienced an increase in youth offender populations. This growth stems from public policies set out by the Legislature, Executive Branch and/or Judicial Branch rather than by population growth. Like Corrections, some of Youth Corrections growth must remain under direct control of the state. Consequently, no more than 25 to 30% of any project is privatized within Youth Corrections. Mr. Dalton distributed a one page handout

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OCTOBER 13, 1998

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identifying the current private sector contracts Youth Corrections utilizes (Attachment B).

Mr. Dalton mentioned four points regarding Youth Corrections' experience with privatization: "1) Youth offenders are wards of the state and not of the private entities. Therefore, the state is always going to be liable for the kids. If something goes wrong with the private entity, it is our necks on the line; 2) Most of the time we have utilized a design build operation, private entities want their profit margin built in. Consequently, these automatic adjustments become problematic to the state; 3) There is no profit margin in smaller facilities. Youth Corrections would be happy to entertain privatizing the smaller facilities, but we have no private entities that want to bid; and 4) One major advantage of privatization is the federal government will reimburse us Medicaid dollars for privately run institutions whereas they won't reimburse state institutions." This federal reimbursement is a 6 to 8 million dollar revenue source for Youth Corrections every year.

STATUTORY IMPEDIMENTS RESEARCH UPDATE

Mr. Richins distributed a letter from David Beach, Driver License Division, responding to the Board's request for a review of their statutes that may negatively impact privatization (Attachment C).

OTHER BUSINESS

The Board decided to invite Byron Fisher to the December Privatization Policy Board meeting to discuss his recommendation to the Legislature regarding giving an exemption from state taxes on all privatization contracts.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, November 10 at 9:00 am in room 414 of the State Capitol.

MINUTES
UTAH STATE PRIVATIZATION POLICY BOARD
November 10, 1998
9:00 a.m.

Attendees:

Jim Kesler, Chairman
Douglas Richins, Secretary
William Barton
Merwin U. Stewart
Thomas Bielen
Douglas Durbano

Rep. Nora Stephens
Rep. Brent Goodfellow
Senator Pete Suazo
Senator L. Steven Poulton

Visitors:

Bob Ward, Standard Examiner
Bob Lockyer, Small Business Leg. Task Force
Drew Chamberlain, Coalition for Accountable Government
Les England, Adoption Advisory Council
Ken Montague, Utah Transit Authority
Steve Booth, UTA Local 382

Excused:

Jay B. Dansie, Vice Chair
Fred Hunsaker
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. The minutes of the previous meeting held October 13, 1998 were approved following a motion by Mr. Barton.

ADOPTION ADVISORY COUNCIL

Mr. Kesler then turned the meeting over to Les England, Chairman of the Adoption Advisory Council, to give a report on their research into privatization of adoptions. The Advisory Council was appointed by the Governor and the Division of Child & Family Services and is chartered to hear issues regarding foster care and adoption functions.

One issue Rep. Stephens brought before the Advisory Council was the issue of privatization of adoptions. The State of Kansas has privatized their entire foster care system for the last three years with great success. Under their contract, it costs the state of Kansas \$13,000 per adoption. Rep. Stephens wanted to adopt Kansas' plan, but wanted the Advisory Council to research into it further to see if it would work in Utah. The Advisory Council's preliminary conclusion, After six to eight months of research, is that the Kansas model is not going to work in the state of Utah. There are two reasons: 1) There are no private agencies here that are willing to undertake this type of a program or system regardless of the money that may be paid to them; and 2) The Division of Child & Family Services is actually doing a better job than 80% of the private agencies outside the state.

Consequently, the Advisory Council has adopted the approach towards this issue that "if it isn't broke don't fix it." Senator Poulton expressed some concern with the management of the Division of

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UTAH STATE PRIVATIZATION POLICY BOARD

November 10, 1998

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Child & Family Services. Mr. England agreed, "We don't think our system is completely broke, we think there are flaws in the Division of Child & Family Services, there are definitely some problems they have had and continue to have, but to throw the whole system out and then try to turn it over to the private sector is not financially feasible or practical since no private agencies are interested in taking it on. If a "gatekeeper" agency could be created, then the Adoption Advisory Council would support the concept of privatization."

Instead, of turning the entire foster care program over to the private sector, the Advisory Council has broken down the whole foster care system into three separate areas: 1) recruitment of appropriate families; 2) permanent placement; and 3) post-placement support. The Advisory Council is currently researching each of the three areas to determine if there are certain aspects that may be subject to and may be appropriate for the private sector. Mr. Richins questioned if the Advisory Council or the Division of Child & Family Services had ever contemplated experimenting with privatization of this function by trying to solicit proposals to provide adoption services for a smaller portion of the state. Mr. England indicated that they had not discussed this.

The Board decided to invite to the December meeting Robyn Arnold-Williams, Executive Director of Human Services, and Ken Patterson, Director of the Division of Child & Family Services, to address the issue of Privatization of Adoptions. (Note, both Ms. Arnold-Williams and Mr. Patterson are unable to attend the December meeting. Both would like to come to the following meeting to address this issue.)

UTAH TRANSIT AUTHORITY

Once Mr. England was finished with his presentation, Mr. Kesler turned the meeting over to Ken Montague, Finance Director for Utah Transit Authority to give his presentation on UTA's efforts with privatization. A copy of the history of privatization at UTA is attached.

"Private sector involvement in UTA programs will be continued whenever feasible and when consistent with UTA operational goals. Private sector participation will be encouraged in the provision of new and/or expanded transit services where cost effectiveness and consistency with UTA's Strategic Plan can be documented," said Mr. Montague.

OTHER BUSINESS

Mr. Kesler reminded the Board about their position papers. "Write a one page position paper and forget the legalities. Remember, our position is to give an objective view in a short report and from that we are going to accomplish something," said Mr. Kesler.

Mr. Richins brought to the Board's attention that the resolution for school busing passed in September's meeting contained inaccurate information. Logan School District, identified as currently using private busing, does not contract with the private sector, but contracts with another school district. Mr. Kesler asked Mr. Barton to correct the resolution and bring it before the Board at the December meeting.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Tuesday, December 8 at 9:00 am in room 414 of the State Capitol.

MINUTES

UTAH STATE PRIVATIZATION POLICY BOARD

December 8, 1998

9:00 a.m.

Attendees:

Jim Kesler, Chairman

Douglas Durbano

Jay B. Dansie, Vice Chair
Douglas Richins, Secretary
William Barton
Thomas Bielen
Sharlene McFarland

Fred Hunsaker
Rep. Nora Stephens
Senator Pete Suazo
Senator L. Steven Poulton

Visitors:

Michael Hepner, Utah School Employees Association
David Winder, Utah Dept. of Community & Economic Development
M. Byron Fisher, Attorney at Law

Excused:

Rep. Brent Goodfellow
Merwin U. Stewart
Steve Price

Conducted by Jim Kesler, Chairman.

Mr. Kesler welcomed the board members and visitors to the meeting. Mr. Kesler invited the newest board member, Sharlene McFarland, to introduce herself. The minutes of the previous meeting held November 10, 1998 were approved, with one correction and an addition to the language, following a motion from Mr. Barton.

TAX IMPLICATIONS ON PRIVATIZATION EFFORTS - M. Byron Fisher

Mr. Kesler then turned the meeting over to M. Byron Fisher, a private attorney who represents Salt Lake School District, to discuss his litigation over the exemption of fuel tax purchased by Salt Lake School District and used by its former school busing contractor, Tran Spec. The Tax Commission ruled against the school district and required payment of tax on the fuel because Trans Spec "used" the fuel, even though the use was for a public purpose. A copy of the ruling was provided to the board in a previous meeting. Mr. Fisher feels that this decision places a significant impediment in the path of future privatization efforts. "We took that case to the Tax Commission in litigation because we wanted a decision as to what was intended as the term of "use" of fuel and whether it would be taxed. We knew what the decision would be, but by obtaining a decision in that form we can then propose to the Legislature to redefine the term "use" for the propose of avoiding one governmental entity paying taxes to another governmental entity when all the money comes from the same pot,"stated Mr. Fisher.

Mr. Durban o commented to the Board that if they are going to make a recommendation to the Legislature or the Governor the goal should be that a government agency should not tax another government agency. Mr Durban o made a motion that the Board should issue a statement or a short letter as part of their report that in order to allow privatization or to encourage privatization the Legislature should adopt the goal of fairness in taxation that a private entity providing the privatized function for a public entity would be taxed to the same degree for services rendered to a school district **MINUTES**

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or a governmental agency as that governmental agency would be taxed. Mr. Barton seconded Mr. Durban o's motion. Mr. Bielen commented that he was reluctant to consider Mr. Durban o's motion for three reasons. First, this is legislation that hasn't been run or sponsored yet; second, the burden of taxes has never been an issue in any of the

presentations heard before the Policy Board; and third, private entities are for profit. If taxes are waived for them wouldn't the state be subsidizing them? Mr. Barton agreed and suggested that the aim should be to get the resolution on the interim study list for next year. Mr. Kesler asked Mr. Durban o to write a short formal resolution and bring to the next meeting.

PROPOSED PRIVATIZATION OF THE DCED NATIONAL BUSINESS RECRUITMENT FUNCTION

Mr. Richins introduced David Winder, Executive Director of the Utah Dept. of Community & Economic Development who's purpose before the Board was to provide notice of his department's intent to privatize National Business Recruitment function within the Division of Business Development. Mr. Winder indicated that presently there are two organizations that recruit business to Utah; the Economic Development Corporation of Utah which is a public private partnership and is centralized in Salt Lake County and the National Business Recruitment Group within the Department of Community & Economic Development. The two groups duplicate each other and cause confusion among business out of state. Neither of these two organizations has enough critical mass, or funding to employ specialist in certain areas, such as in recruiting high technology firms. Mr. Winder feels that these problem would be solved if these two organizations were combined. A task force studied this problem and they recommended that these two organizations be combined under the Economic Development Corporation of Utah, though Mr. Winder indicated that the privatization would happen via a competitive Request for Proposal process and any firm could respond and be considered as the private contractor. He indicated that none of the affected employees were career service employees. The state employees would be loaned to the private contractor for a period of about 6 months, then they would be offered the option of either becoming employees of the private contractor, or perhaps be offered another position at DCED.

UTAH SCHOOL EMPLOYEES ASSOCIATION - SCHOOL BUSING

Michael Hepner, Executive Director of the Utah School Employees Association appeared before the board to comment on the Board's resolution regarding private bus contracting for school districts. His organization represents public school bus drivers. After Mr. Hepner reviewed the resolution he requested to meet with the board. He verbally presented his arguments against the resolution. Mr. Hepner's comments are contained in the attached letter, which he submitted to the board, dated December 7, 1998. (Attachment A)

RESOLUTIONS

Mr. Kesler then turned the meeting over to Mr. Barton to review his two busing resolutions.

Resolution - Private Bus Contracting for Utah School Districts (Attachment B)

Following discussion and rewording, a motion was made by Rep. Stephens and seconded by Mr. Durbano to approve the resolution on attachment B on Private Bus Contracting for Utah School Districts and to replace this resolution with the one adopted on September 8, 1998. The resolution **MINUTES**

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was approved with two dissenting votes by Mr. Bielen and Ms. McFarland. Rep. Stephens asked that this resolution be sent to the State Office of Education and recommend that they distribute it to the school districts. Senator Suazo asked Mr. Richins to correspond with the school districts mentioned in the resolution who are currently contracting with private companies to provide their school bus services and ask them what their experience has been with private school bus contracting.

Resolution - UTA Bus Contracting (Attachment C)

A motion was made by Rep. Stephens and seconded by Mr. Durbano to approve the resolution offered by

Mr. Barton regarding UTA Bus Contracting (found on Attachment C). This resolution passed with two dissenting votes by Mr. Bielen and Ms. McFarland. Rep. Stephens asked that this resolution be distributed to UTA board members.

Mr. Kesler closed the meeting with a reminder that the next Privatization Policy Board meeting will be held on Wednesday, January 13, 1999 at 9:00 am in room 5112 of the State Office Building. (Subsequently the time of the next meeting was changed to 10:30 a.m.)

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UTAH STATE PRIVATIZATION POLICY BOARD
December 17, 1997
9:00 a.m.

Attendees:

Jim Kesler	Rep. Nora Stephens
Douglas Richins, Secretary	Rep. Brent Goodfellow
Thomas Bielen	Jay B. Dansie
William Barton	Steve Price
Fred Hunsaker	

Visitors:

Susie Adams, People Helping People
Amanda Singer, Utah Dept. of Human Services
Lee D. Eaton, Mountain States Analytical
David Salisbury, The Sutherland Institute

Excused:

Merwin Stewart
Douglas Durbano
Melanie Hall
Senator Poulton
Senator Suazo

Conducted by Douglas Richins, Secretary

Mr. Richins welcomed the board members and visitors to the meeting. Mr. Richins then invited each member of the board to introduce themselves and tell a little bit about their background so the board can get to know each other. Mr. Richins then provided an opportunity for the visitors to introduce themselves.

Mr. Richins then gave a presentation entitled Overview of Privatization Policy Board History and Status of Privatization in Utah State Government. A copy of his presentation is included as "Attachment A" to these minutes.

Mr. Richins then turned the balance of the meeting over to reorganizing the board from a leadership perspective. Mr. Richins subsequently proposed opening the floor for nominations of electing a chair. Rep. Stephens made a motion to elect a vice chair in addition to a chair. The motion was approved unanimously by the board. Rep. Stephens made a motion to nominate Jim Kesler as chair of the board. Mr. Kesler accepted and the motion was approved unanimously. Rep. Stephens made a motion to nominate Jay Dansie as vice chair. Mr. Dansie accepted and the motion was approved unanimously.

Mr. Richins then proposed that the board discuss items for the next agenda. Mr. Barton suggested that David Salisbury should return to the next board meeting and give a report on the conference the Sutherland Institute held this past summer regarding privatization. Mr. Barton then motioned that the board send a letter to each legislator stating the board's purpose and to request their input on privatization issues that they would like the board to examine. The motion was approved unanimously. Mr. Barton was assigned to prepare a draft of the letter to the Legislators. Mr. Barton also proposed the board issue a press release to let the public know that the Privatization Policy board has met and elected officers and to state the purpose of the board.

The next board meeting was scheduled for January 13, 1998 at 9:00 a.m. State Office Building (room number to be announced in meeting notice).
attachment